Austria Sch22	Indonesia Rp3300	Portugal Esc120
Bahrain Din0.650	Israel NIS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore S$4.10
Canada C$1.00	Japan Y500	Spain Pta145
Cyprus C£0.90	Jordan Fils500	Sri Lanka Rup30
Denmark DKr10.00	Kuwait Fils.500	Sweden SKr9.00
Egypt E£2.25	Lebanon $L125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan NT$85
France FFr6.50	Malaysia Rin4.25	Thailand Bht50
Germany DM2.30	Mexico Pes300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,628 — Tuesday August 30 1988 — D 8523 A

US ELECTIONS
Candidates too true to be good
Page 13

World News

Labour unrest continues in Polish cities

Strikes continued in Poland's Baltic cities of Gdansk and Szczecin as behind-the-scenes negotiators representing Lech Walesa, Solidarity leader, sought to establish the ground rules for talks with the authorities. The Polish authorities are insisting that the Gdansk shipyard strike ends before talks can start. Page 14

S African crisis
South Africa has been pitched into a constitutional crisis by the Botha Government's decision to ignore white, coloured and Indian parliamentary opposition to harsher segregation laws. Meanwhile, 13 blacks were killed in Natal province in fighting over land. Page 2

El Salvador deaths
At least 45 people have been killed and more than 20,000 left homeless after four days of rain in El Salvador.

Plea for gas victims
Kurdish nationalist leader Masoud Barzani called on Turkey to open its borders to the victims of chemical warfare after what he said were fresh poison gas attacks in neighbouring Iraq. Page 3

Rocard triumphant
Michel Rocard, French Prime Minister, returned from a successful three-day tour in New Caledonia, amid growing signs that his position has been strengthened by the accord on the French Pacific territory. Page 14

Gulf talks stall
Iraq Foreign Minister Tareq Aziz said his country would not allow peace talks to move forward until Iran agrees to stop searching Iraqi ships in the Gulf and allows the Shatt al-Arab waterway to be cleared of debris.

Perestroika blocked
Alexander Shamov, Soviet government economist, accused central ministries of blocking economic reform and urged faster creation of industrial concerns which operate free from ministerial control.

Chilean junta meets
Chile's military junta will decide within two days on a candidate for the one-man presidential plebiscite tentatively scheduled for early October. Page 2

Five dead in crash
At least five people were killed and 44 injured when two passenger trains collided near Bregenz in western Austria, a police spokesman said.

SS guard acquitted
A West German court acquitted former SS guard Wolfgang Otto of the murder of communist leader Ernst Thaelmann at Buchenwald concentration camp in 1944, amid protests from the public gallery.

Strategic discovery
Geologists said they had found reserves of the valuable strategic metal beryllium in northern Norway. The find could cover western Europe's needs for the next decade.

First for women
Spanish Civil Guard has accepted 195 women into its ranks, the first female recruits into the country's paramilitary police force.

Québec leader dies
Jean Marchand, Québec labour leader and politician who helped Pierre Trudeau become prime minister, died aged 69 at his home near Québec.

Caviar couriers
Customs officials to France said an East-West trafficking ring is smuggling high-quality Soviet caviar from Poland with the couriers usually middle-aged Poles in need of foreign currency.

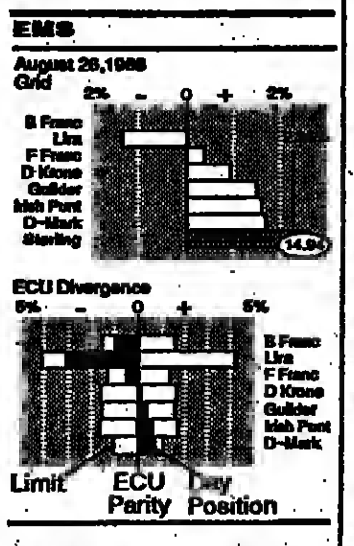
Afghan cosmonaut
Afghanistan's first cosmonaut was launched into orbit by a Soviet Soyuz TM-6 spacecraft as Afghan President Najibullah declared a ceasefire in the fight against Moslem rebels for the week-long flight.

Business Summary

Italian bank withdraws from Irving bid battle

YEAR-LONG campaign by Bank of New York to take over its cross-town rival, Irving Bank, enjoyed a large boost with the announcement that Banca Commerciale Italiana (Comit) had withdrawn as Irving's defensive ally. Stock in Irving rose smartly, adding $1⅝ to $68⅞ in heavy business. Page 18

EUROPEAN Monetary System: Dealers last week believed the Bank of France intervened to support the franc after the Bundesbank raised its discount rate on Thursday. The D-Mark replaced the Irish punt as the strongest currency in the EMS, as interest rates in Europe were forced higher by the Bundesbank's move. Trading was subdued but nervous on Friday, with no further sign of Bank of France intervention.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

LONDON markets were closed for the Late Summer bank holiday. World stock market reports, which normally appear on the back of the second section, today are on Page 31.

WALL STREET: The Dow Jones Industrial Index closed up 24 points at 2,041.43. Page 31

TOKYO share prices plunged on very thin volume. The Nikkei average lost 299.81 to 27,379.10. Page 31

DOLLAR closed in New York at DM1.8725, Y134.55, SFr1.5790 and FFr6.3535. Page 27

POUND closed in New York at $1.6795. Page 27

MERRILL LYNCH International has succeeded in making a hotly-contested $50m three-year offering for Royal TrustCo interchangeable with an identical offering launched in July over the objections of a competing firm. Page 16

DRESDNER BANK, West Germany's second largest bank, is buying a 30 per cent stake in BNP-Ak Bankasi, joint venture bank in Turkey. Page 16

CONTINENTAL Illinois National Bank's Belgian subsidiary is being sold to Banco Hispano Americano of Spain and BACOB Savings Bank of Belgium. Banco Hispano is acquiring 75 per cent of the unit and BACOB the remaining 25 per cent, said a joint statement. Page 18

NEW ZEALAND entrepreneur Bruce Judge, pulverised by last October's stockmarket crash, has acquired a 19.9 per cent stake in Ariadne, formerly his principal Australian company, through a surprise deal with Mr Larry Adler's FAI Insurances. Page 18

FIRST BOSTON of the US and Credit Suisse of Switzerland confirm they are discussing the creation of a global investment banking firm by combining the businesses of First Boston and Financiere Credit Suisse-First Boston, jointly owned by the two companies, to a single private company. Page 18

GB-INNO-BM (GIB) the internationally ambitious Belgian supermarket group, announced it had increased its stake in Scotty's, the Florida-based chain of home improvement stores from 29.3 per cent to 42.7 per cent. Page 18

Bonn bans aerobatic displays after air show disaster

By Haig Simonian in Frankfurt

A BAN on all low-level military aerobatic flying in West Germany was announced yesterday by Mr Rupert Scholz, the Defence Minister, as the deathtoll from Sunday's air show disaster at the Ramstein US Air base in southern Germany rose to 45.

A further 343 people were severely injured, many critically, following the accident in which three jets from the Italian "Frecce Tricolori" acrobatic display team crashed, one of them bursting into a fireball amid thousands of spectators.

The West German Government, which has faced mounting criticism over low-level military flying after a spate of accidents in recent months, has also agreed with the allied forces in Germany to suspend all further military flying displays until further notice.

Meanwhile, the US forces have launched a preliminary investigation into Sunday's disaster. According to a US press officer, the full inquiry will also include the Italian and German authorities, although it is "not clear who will head the ultimate investigation," she said.

German politicians from across the political spectrum have called for an end to aerobatic flying. According to Mr Bernhard Vogel, the prime minister of the state of Rhineland Palatinate, where Ramstein is located, Sundays's show had been "one too many. It is certain there will be no more flying displays at Ramstein," he said.

The Rhineland Palatinate is frequently used for low-level flying exercises by the Luftwaffe and allied airforces. In early June, the state parliament had voted against such missions following a number of accidents.

However, the "Flugtag" at Ramstein, the largest US air base in western Europe, is a popular annual event. Sunday's crowd was estimated at 300,000.

The accident occurred in mid-afternoon at the climax of a daring manoeuvre.

Two aircraft apparently collided, bringing down a third, which burst into flames among the crowd. All three pilots died.

Mr Helmnt Kohl, the German Chancellor, yesterday assured victims and their relatives of fast and unbureaucratic assitance. However, none of the dead has yet been identified, and a US medical team has been called in from Texas to help cope with the burn victims.

John Wyles writes from Rome: The Italian Green party yesterday called for the suspension of aerobatic displays by the Air Force team until safer performances could be guaranteed. Howwever, Mr Valerio Zanone, the Defence Minister, said that the "Frecce Tricolori" would honour their commitments for this season despite the loss in the Ramstein disaster of the team leader and two otber pilots.


Defence Minister Scholz: no more low-level displays

Commercial Credit and Primerica plan $1.7bn merger deal

By Roderick Oram in New York

TWO of Wall Street's most famous deal makers, Mr Sandy Weill and Mr Gerald Tsai, have agreed to a $1.7bn merger of their pnblicy traded companies. They are creating a financial services giant spanning investment and mortgage banking, insurance and consumer finance with the largest sales force in the country.

Shareholders of Primerica, which Mr Tsai has headed since 1986, will be offered one share of Commercial Credit, Mr Weill's company, plus $7 for each of their 52.4m shares. In early trading yesterday Primerica fell $7/8 to $29 1/4 and Commercial Credit slipped $3/4 to $24 1/2.

Though billed as a merger, it will be Mr Weill rather than Mr Tsai who will take the lead role. Mr Weill will remain chairman, chief executive and president of Commercial Credit while Mr Tsai will be a director and chairman of the executive committee.

The deal, through Primerica's Smith Barney brokerage firm, achieves Mr Weill's long standing goal of returning to Wall Street. He is highly regarded there for building up Shearson Lehman into the second largest securities house before selling it to American Express in 1981. He left Wall Street in 1985 after failing to become American Express's chief executive.

Mr Weill and a group of close colleagues took management control of Commerical Credit when it was spun off by Control Data, the US computer group, in late 1986. They have moved fast to broaden operations of the company which has deep roots in consumer lending to working and middle class Americans. It had assets of $4.4bn and stockholder's equity of $704.1m on June 30. Its income from continuing operations last year was $101.5m on revenues of $912.3m.

For Mr Tsai, though, the deal marks the end of his ambitions to storm the financial services sector. He had sold his insurance companies to Primerica, then called American Can, in 1982. He set about transforming the industrial company into a service business, becoming its chief executive in 1986.

The strategy has had its setbacks, however. The metal can businesses discarded by Primerica are prospering while Mr Tsai has failed to use proceeds from the disposals well.

Primerica has been particularly hurt by the performance of Smith Barney. Heavily dependent on retail brokerage and suffering large arbitrage losses, the old-line firm has been a severe drag on its parent's profits.

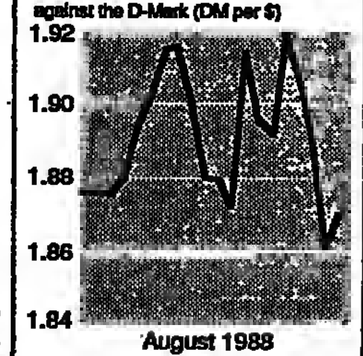
Mr Tsai paid $750m for Smith Barney in May, 1987. The price was 2.14 times book valne, a ratio a little lower than earlier Wall Street deals but badly timed nonetheless. Primerica had no chance to use Smith Barney's sales force for its financial service products before the crash pushed the brokerage firm on the defensive.

Primerica was long rumoured to be trying to sell Smith Barney but it seemed it could not attract offers much above its book value. In total Primerica had $13.8bn of assets and $1.38bn of stockholders' equity on June 30, and earned net profits of $199m

Though Commercial Credit is only one-third the size of Primerica, Mr Weill has assembled a management team whose strength and background are far in excess of the company's pre-Primerica needs.

In addition to sorting out Smith Barney, they will move quickly to sell off parts of Primerica outside financial services. They said yesterday they were seeking buyers, for example, for Fingerhut, a leading mail-order company. Wall Street believes it could be worth more than $1bn which would help reduce Primerica's heavy long-term debt.

Background, Page 15



Dollar continues to hold ground

By Janet Bush in New York

THE DOLLAR put in a solid performance yesterday, suggesting that it may take more than aggressive central bank intervention and last week's round of co-ordinated European interest rate rises to stop the US currency rising.

Foreign exchange dealers in Tokyo reported solid institutional buying of dollars against the Japanese yen which took the dollar to a high of Y134.35. As European trading began, there was buying of dollars against the D-Mark.

The dollar closed in New York at Y134.55 and DM1.8725 in subdued trading, well above earlier lows of Y133.90 and DM1.8590. There is a high degree of nervousness in New York currency markets about US policy towards the dollar.

Events last week sent a clear message to the foreign exchange markets that the Group of Seven leading industrial nations is uncomfortable with any further rise in the dollar. Mr Karl Otto Pöhl, the Bundesbank's president, was unusually forthright about his intentions to prevent a further

Continued on Page 14

Burma opposition unites under former premier

By Richard Gourlay in Bangkok

BURMA'S previously unorganised opposition yesterday set up an alliance under U Nu, 81, who was the country's last civilian Prime Minister before the military took over in a 1962 coup.

The aim of the "Alliance for Democracy, Peace and Freedom" is to try to unify protesters calling for the ruling party to stand down and establish an interim government.

Alliance founders include retired Gen Tin Oo, who is believed to be widely respected in the army and was imprisoned in 1976 by U Ne Win, the country's autocratic leader for 26 years until he resigned nominally last month.

So far it does not include two other emerging opposition figures, Aung San Suu Kyi and Aung Gyi who have both spoken out publicly for an interim government.

There were reports they would be invited to join, as would representatives of the country's ethnic minorities, many of whom have been in revolt against the Rangoon regime.

The Alliance is the first opposition group to be formed since U Ne Win toppled U Nu in a coup 26 years ago, setting up a one-party state that has presided over the country's economic decline. U Maung Maung, the current president elected on Aug 19, was a chief author of the one-party constitution. U Nu, who has been living in retirement in Rangoon following several years in exile after the coup, still enjoys considerable standing.

"He is trying to provide an umbrella for everyone to shelter under," a Rangoon-based diplomat said. Army and police have withdrawn from several cities, since fierce demonstrations began in earnest early in August.

In response to these riots, President Maung Maung promised that the party would discuss holding a referendum on multi-party democracy on September 12. Demonstrators have rejected this, saying that street protests show that the people want an end to one-party rule.

The ruling party yesterday showed no sign of changing despite the unprecedented loss of civil control, fears of shortages of oil, food, electricity and water, prison riots in which over 50 people have died and 5,000 prisoners have had to be released in the last three days.

Diplomats said that the ruling party, which crucially still seems to command the loyalty of the army, appears to want to push through with a referendum on multi-party democracy and possibly even pluralist elections. Protesters have told diplomats, however, that since the army would control these polls there are no guarantees they would be fair.

Demonstrators are thus keeping their pressure up, although no alliances or street protests are likely to topple Ne Win's system while the army remains united and loyal, diplomats say.

On Sunday students formed an illegal students union on the spot where the last union building was burned down soon after Ne Win took power in 1962. One diplomat in Rangoon called it an "enormously symbolic" act.

At the weekend, newspapers began to print again and the influential Rangoon Lawyers Association rejected plans for a referendum and added to calls for an interim government.

Britain's electricity boards at odds over privatisation policy

By Max Wilkinson, Resources Editor, in London

CONFLICT is developing between Britain's Central Electricity Generating Board (CEGB) and the 12 area distribution boards about the terms on which the industry will be privatised in two-years' time.

Mr Cecil Parkinson, the Energy Secretary, has ordered that the differences must be resolved next month if his officials are to meet their schedule for drafting legislation and licences by late autumn.

At issue is which part of the industry should bear the potentially crippling risk of ordering power stations which may prove not to be needed after they have been built.

In the US, many private electric companies were driven close to bankruptcy by over-ordering in the late 1960s and 1970s. In Britain, the CEGB's large excess capacity would be a financial embarrassment if it were operating in a competitive commercial market.

The Government's February policy document said the statutory obligation to keep the lights burning will be transferred from the CEGB to the 12 area boards, which will become private distribution companies. The power stations will be divided between two private generating companies, which will be allowed to compete with any independent power companies to sell electricity to large industrial customers.

After months discussing different forms of regulation and types of contract, the industry realises that this could expose distribution companies to high risks, while the industry's regulator will prevent them from making high profits. This could make them unattractive to investors.

The risk arises from the requirement for each distribution company to meet its obligation to supply power by signing contracts for electricity to meet customers' expected demands several years ahead. If the demand failed to materialise, shareholders would have to bear the cost of a contract for unneeded power.

In an industry where power station costs are measured in hundreds of millions of pounds, errors could be serious.

Many area boards fear they could be caught between the obligation to supply their customers and the freedom of industrial customers to transfer their custom to another electricity company.

They fear that this danger would be further increased if generating companies are allowed to poach in their territory by offering cheap electricity from power stations now lying idle.

To minimise their risks, the area boards want the Government to restrict the scope for generating companies to use surplus capacity to undercut prices in the industrial market. They will try to insist that, in the carve-up of the industry, they are given long to medium-term contracts for supply from all the most efficient power stations, leaving only the worst performers as surplus.

They also want generators to be prevented from offering power from the surplus stations at prices which reflect only running costs.

As a further protection, it is being suggested that the obligation to supply should be restricted to domestic customers.

If that proves politically unacceptable, as seems probable, they are likely to ask for restrictions, at least for a "settling down period," on the ability of industrial customers to escape into a free market.

Another form of protection could be in the contracts which the Government will write for the supply of power by generating companies to distribution companies.

CONTENTS

Solidarity adviser sees new hope for dialogue after strikes

Despite public mistrust, the latest round of unrest may spur the Polish Government into talks, reports Leslie Colitt

THE CHANCES of a long-sought dialogue between the Polish leadership and the opposition to achieve a "national consensus" are, paradoxically, greater than before the latest outbreak of strikes in Poland, a prominent adviser to the banned Solidarity union said.

Mr Bronislaw Geremek, adviser to Solidarity's leader, Mr Lech Walesa, since 1980, warned that if the dialogue did not take place, then Poland faced "very difficult moments."

"*After two waves of strikes* this year, a third wave will come – more radical, larger and thus more dangerous," he predicted in an interview in his closely-watched flat in Warsaw's old town.

"This is the chance, in the last desperate moment," he said.

"We have the potential for a consensus. It is a dramatic choice for both sides."

Mr Geremek said the considerable room for manoeuvre which the Polish authorities were given by Mr Mikhail Gorbachev, the Soviet leader, had until now never been exploited by the Polish leader, General *Wojciech Jaruzelski*. Instead, the apparent willingness of the authorities to talk was the result of the current strikes, he asserted.

"This system is sensitive only to mass pressure."

A dialogue is regarded as essential if Poland's deteriorating economy is ever to be turned around. The leadership's plans for economic reforms have little chance of succeeding without participation by the dispirited population, which deeply mistrusts the party's proposals.

Poles needed to see a "little bit of hope" that the situation will improve, the adviser said.

Mr Geremek is expected to play a key role in the dialogue if it comes about.

The central committee of the party, in a resolution issued on Sunday evening, approved of "round-table talks" with the opposition to end the strikes but excluded those who rejected Poland's "legal and constitutional order". Earlier, however, the Polish Interior Minister, Mr Czeslaw Kiszczak, appeared to accept talks proposed by Mr Walesa but said the strikes had first to stop.

The Solidarity leader, who has been inside the strike-bound Lenin shipyard for nine days, called for discussions based on three points: the legalisation of Solidarity, socio-political pluralism and an "anti-crisis pact."

Outlining a "scenario" for ending the strikes, Mr Geremek said the legalisation of Solidarity would be separated from wage questions and local issues. The latter topics could be negotiated and the strike "suspended."

The second step would be talks between Mr Walesa and the Government on legalising Solidarity as a union and not a political movement.

Mr Geremek said he was "extremely sceptical" about the prospect of talks, based on what he had heard from the weekend central committee meeting.

"I think they want talks for propaganda purposes, both internationally and domestically," he suggested. For their part, Polish Government officials said Solidarity was forced by the lack of mass response to the strikes to come to terms with realities.

Mr Geremek noted that the opposition was trying to assuage the party's fears of reopening a Pandora's Box of demands by legalising Solidarity. A legalised union, he said, would not deal with political questions.

At the same time the opposition wanted to talk with the authorities about the "political aspirations" of the population. These, he indicated, could be met by a draft law on associations which the Government is preparing. Mr Geremek said he was hopeful that a "good law" would emerge as a result of the latest strikes.

Earlier this year the Solidarity adviser raised the idea of an "anti-crisis pact" in a widely-noted interview with an official Polish newspaper. He said Poland's condition was so desperate that the opposition would be prepared to limit its goals and respect the party's leading role. The authorities, in turn, he said, would have to respect the right of Poles to self-organisation.

Sweden's rulers face poll defeat

By Robert Taylor in Stockholm

SWEDEN'S ruling Social Democrats are facing possible defeat in the general election on September 18, with the increasing likelihood that no political grouping will secure an overall majority in the next Parliament to ensure the country has a strong government.

An opinion poll by the SIFO poll organisation in Sweden's second biggest city, Gothenburg, records a sudden upsurge in popular support for the Green Party at the expense of the Social Democrats.

The Greens won 13.5 per cent support among a sample of 800 voters, the most they have ever won in a public opinion survey, while the Social Democrats saw their support fall from 40.1 per cent in the 1985 general election to a mere 33 per cent.

If this result is repeated in the real ballot in three weeks Sweden is going to enter a period of political uncertainty. In May this year SIFO recorded a 45.7 per cent vote for the Social Democrats in Gothenburg, which suggests there has been a dramatic erosion in the party's electoral support during the summer.

At the same time the poll holds out little comfort for the opposition block, made up of the Moderates, Liberals and the Centre party who are likely to do no better than they did three years ago in Gothenburg. Together they would be likely to poll 44 per cent in the city but this falls far short of the majority of votes they need to be able to form an administration.

The Social Democrats are becoming increasingly alarmed about the general election campaign, which has thrown them on the defensive. Prime Minister Ingvar Carlsson is being compared unfavourably as an election campaigner with his murdered predecessor Olof Palme, whose combative style aroused the party faithful and hurt the opposition.

Some observers believe the party is making a major tactical mistake in treating the Liberals, led by the telegenic Mr Bengt Westerberg, as the main enemy and focusing their attack on them. In 1985 Mr Westerberg was a genuine success and he is regarded today as the likely head of a non-Socialist government.

Until now the Greens have been treated with surprising respect by the traditional parties, but they are now posing the most serious threat to the famed stability of Swedish politics.

They have been able to capitalise on the genuine popular worries about environmental pollution, highlighted this summer by the mass death of seals in the North Sea, as well as a growing distrust of the old parties, particularly the Social Democrats, who have suffered adverse publicity in one scandal after another, undermining their reputation for competence and common sense.

The Greens have mede it clear thet they will support neither the Left or Right blocks in Parliament, choosing which side to support from issue to issue. Some observers fear this is a recipe for parliamentary chaos, something that Sweden has never suffered before though it is now commonplace in its Nordic neighbours.

The Social Democrets hope to concentrate the minds of the voters on the state of the economy during the rest of the election campaign, an issue on which they believe they have achieved e substantial success during the six years they have been in office.

Mr Kjell-Olof Feldt, the Finance Minister, has hardly been able to cootain his fury at the eccident-prooe nature of his party's campaign. The latest scandal – the daughter of Sweden's most powerful union leader Mr Stig Malm queue-jumped in acquiring e flat at e time when the unions are campaigning for equality of treatment in housing provision – has further embarrassed the Social Democrats, giving fresh ammunition for those who argue that the party has been ebnsing its power in recent years.

Bush survives Quayle problems to keep lead over Dukakis

By Lionel Barber in Washington

US Vice-President George Bush appears to have emerged almost unscathed from the troubles of his running-mate, Senator Dan Quayle, to hold a slim but steady lead in the polls over Governor Michael Dukakis of Massachusetts, his rival for the US presidency.

To judge from press comment this past week, Mr Bush's underdog days are over. Suddenly, the Vice-President is the centre of attention, grabbing the top slots on the nightly network news as he batters Mr Dukakis on the emotional themes of crime and patriotism.

As Mr Bush said recently: "He is the governor who vetoed mandatory sentencing for drug dealers. He opposes capital punishment for drug kingpins. And he fought tooth and nail to keep that outrageous furlough programme that lets murderers, rapists and drug dealers out on appeal."

Add the Vice-President's constant references to the Massachusetts governor's veto of a bill requiring teachers to lead students in reciting the Pledge of Allegiance and the tone of the Republican campaign and the probable cause of the turnaround in the polls begin to emerge.

His supporters argue that by Labor Day on September 5, the traditional opening of the presidential election campaign, Mr Dukakis will have his strategy sorted out and will focus his efforts in the key states needed to carry him to victory: California, Illinois, Texas, Pennsylvania and possibly Florida.

But this presumes he has a message to sell to voters. His summer campaign themes of the Iran-Contra scandal, US failure to oust General Noriega of Panama, and ethical misconduct in the Reagan administration, appear increasingly lacklustre.

His pledge for good jobs at good wages and his warnings about instability in the US economy have run up against continuing evidence of economic vitality.

Even the Quayle controversy does not seem to have helped the governor and his running-mate Senator Lloyd Bentsen of Texas. Only 15 per cent of voters polled by the Gallup poll for the Times-Mirror newspapers said they thought less of Senator Quayle because of his military record; 69 per cent thought the issue had been inflated by the media.

Ruling today on US airline

By James Buchan in New York

A US FEDERAL judge will today attempt to clear a fog of confusion surrounding the future of Eastern Airlines, the loss-making Miami-based passenger carrier which is fighting one of the most bitter labour disputes in recent US history.

Judge Barrington Parker will today rule in district court in Washington whether Eastern, one of the two main operating subsidiaries of the Texas Air group, can go ahead with plans to drop services from Kansas City airport which the airline says are losing money.

A ruling against the plan, which would have cut flights to 14 destinations in the US west and the Caribbean from tomorrow, would be a major setback for Texas Air's hard-driving chairman, Mr Frank Lorenzo, in his struggle to force cuts in costs on Eastern's workforce which is heavily unionised.

Some Wall Street observers believe that Mr Lorenzo could place Eastern in bankruptcy if the ruling goes against him.

Judge Parker pinned Eastern and Texas Air into disorder on Friday, when he confirmed a temporary restraining order barring Eastern from cutting 4,000 jobs as part of the Kansas City plan. But he left unclear whether the change in flight schedules also violated US labour law.

Despite pleas by Eastern's lawyers to clarify the issue, Judge Parker put off his decision until today.

Chile's junta to pick candidate

By Mary Helen Spooner in Santiago

CHILE'S military junta meets today to decide on a candidate for the one-man presidential plebiscite tentatively scheduled for early October.

If this candidate, who seems almost certain to be General Augusto Pinochet, wins a majority of votes, he will begin a new eight-year presidential term commencing next March and ending in 1997. If he loses, General Pinochet will stay in office for another year, until open elections can be held.

The commanders of the country's navy, air force and national police, along with General Pinochet as army commander, have 48 hours to decide on the candidate. Although the other three have on numerous occasions stated their preference for a civilian candidate, they have apparently decided that a Pinochet candidacy is preferable to an open display of differences at this crucial juncture in the 15-year-old regime.

One likely issue of debate at today's meeting is General Pinochet's dual role as president and army commander, and the three are pressing him to relinquish the latter post, should he win the plebiscite and begin a new presidential term.

A poll released last week by the independent consulting firm, Gemines, showed that 62.8 per cent of those polled in Santiago said they would vote "no" in the plebiscite if General Pinochet were the candidate. The poll also noted a considerable decline in the number of undecided respondents.

Government officials have organised a pro-Pinochet rally outside the presidential palace following the expected announcement of his candidacy this evening, while opposition groups have called on Chileans to remain in their homes and beat saucepans in a show of protest against the military regime.

Elf finds oil under the streets of Paris

By George Graham in Paris

PARIS has struck oil with its first ever drilling rig.

Elf-Aquitaine, the leading French oil company, announced yesterday that its rig at Ivry-sur-Seine, on the very edge of the French capital, hed come up with the black stuff at 1,972 metres.

It is not exactly a gusher and further drilling will be needed to determine whether the oil can be extracted economically. Elf said yesterday, however, that it regarded the preliminary result as encouraging.

Elf, the operator of the Ivry well, has 50 per cent of the oil exploration licence for the Paris region, with 35 per cent held by Total and 15 per cent by BP.

Drilling in the heart of the Paris urban zone creates its own problems: the difficulty of finding a site has forced Elf to drill on the slant from Ivry.

The 10 per cent increase in drilling costs could be worthwhile, nevertheless, for the entire Paris basin is estimated to contain 40m tonnes of petroleum.

Cabinet pressure on Hawke

By Chris Sherwell in Sydney

TWO senior Australian ministers have called on Mr Bob Hawke, the Prime Minister, to determine when he will step down and to plan a handover to Mr Paul Keating, the federal Treasurer.

The calls reflect growing concern in cabinet ranks over public perceptions of a deterioration in relations between the two most important men in the country's most successful Labor government.

The issue flared when Mr Hawke, in a television interview last week, discussed the prospect of Mr Keating leaving politics. Mr Hawke said Mr Keating would be missed if he went, but that there was talent to fill his position.

Hawke: TV discussion

The idea of Mr Keating being dispensable promptly became front page news, undermining the impact of his optimistic budget and disturbing a number of ministers.

Mr Hawke was obliged to give a second interview the following day, in which he effusively praised Mr Keating and said he would be a great Prime Minister.

But the issue did not die down. Mr Keating was reported to be furious and over the weekend two ministers decided to speak out.

Senator John Button, who leads the government in the upper house and was a key figure in Mr Hawke's accession to the Labor leadership in 1983, was asked if the Prime Minister should settle a timetable with Mr Keating for the succession. He replied: "Yes".

Yesterday Mr John Dawkins, the Education Minister and a member of the inner circle of cabinet ministers, said the succession had to be sorted out "and the sooner the better".

Mr Hawke, 58, has led Labor to an historic three successive election victories and says he plans to lead the party into the next election, due in 1990. He had indicated that he would step down in the current term, but has apparently changed his mind. Last week, in what he subsequently called a joke, he said he would not mind staying six more years.

Still only 44, Mr Keating has been Treasurer since 1983, providing Labor with the intellectual and political driving force behind its deregulatory economic policies and structural reforms.

Botha to stand by segregation changes

By Jim Jones in Johannesburg

SOUTH AFRICA has been pitched into a constitutional crisis by the Botha Government's decision to ignore white, coloured and Indian parliamentary opposition to harsher segregation laws.

The legal changes are designed to reverse the migration of black South Africans into white residential areas and to prevent several million homeless blacks from setting up unauthorised squatter camps near cities and towns.

The new laws contain provision for financial penalties for anyone who allows black people to live in unauthorised areas and for the eviction of illegal black residents even if no suitable alternative accommodation is available.

Under the 1983 constitution, introduced by the Botha Government after a referendum, changes to the Group Areas laws have to be agreed by all three houses of parliament before being promulgated. However the coloured and Indian houses have taken a stand and refuse to debate the legislation, effectively blocking its introduction under the constitution.

In addition, the Progressive Federal Party and the Independence Movement, two white parties to the left of the Government, have refused to debate the proposed laws in the house. The ultra-right Conservative Party is to debate the new legislation, but says it provides inadequate protection for white South Africans. The Government claims the Indian and coloured refusal to debate the legislation is a technicality and intends sending the legislation to the President's Council for approval and promulgation after debate in the white house.

The National Party has an absolute majority in the Council and the legislation's passage there will be without hindrance.

Thirteen black men were killed in black townships outside four Natal Province cities, police said yesterday, AP reports from Johannesburg. Residents said most were mutilated in fighting over land.

In a separate incident, police fired teargas and sprayed purple dye from a water cannon at students who had gathered on a campus of the University of Durban. Students and teachers said a rally of 3,000 students had been called to protest at the university's decision to expel 150 students who could not pay their fees and that two students were taken to hospital.

Hungary and Romania fail to resolve differences

By Judy Dempsey in Vienna

THE unexpected meeting on Sunday between President Nicolae Ceausescu of Romania and Mr Karoly Grosz, Hungary's Communist Party leader, failed to resolve major differences but both sides regarded the meeting as "useful".

The meeting, in the Romanian city of Arad, in Transylvania, came at Mr Ceausescu's suggestion and was the first between the two countries' leaders for 11 years.

During that time relations between Budapest and Bucharest have noticeahly deteriorated largely because of repeated Hungarian claims that the 1.7m ethnic Hungarians in Romania are being forcibly assimilated.

The Hungarians used the meeting to discuss the Romanian plan to create giant agro-industrial complexes. The plan involves razing several thousand villages and Romania says it will destroy Hungarian-inhabited villages, ending centuries of Hungarian culture.

During a press conference after the nine hours of talks, Mr Grosz said that with the agreement of the Romanian authorities, a special group of Hungarians would be sent to Romania to find out what exactly the plan entailed. But he cautioned against optimism about the "frank" talks.

Mr Ceausescu indicated that he would consider family reunification for ethnic Hungarians and Romanians who fled to Hungary.

Fresh round of East-West talks

IN what could be the final round of negotiations, East-West talks yesterday resumed in Vienna amid fresh hopes that agreement can eoon be reached on several outstanding issues, writes Judy Dempsey in Vienna.

The Vienna review meeting of the Conference on Security and Co-operation in Europe (CSCE), which includes Canada, the US, and every European country except Albania, began in November 1986.

Since then, East and West have become deadlocked on issues in the three "baskets" – arms talks and human rights, economic co-operation and humanitarian issues.

Differences narrowed just before the summer recess. It is expected that the Warsaw Pact might make concessions on human rights and humanitarian issues as well as certain aspects of security to get new talks on reducing conventional weapons in Europe started, possibly by the end of the year.

Amiens seeks a place on the fast track to the coast

George Graham on the French town which wants to be on the express train line to the Channel tunnel

IT'S A good job that the London train from Dover stops et Victoria. The people of Amiens are prepared to go to almost any lengths in their battle to make the fast train between Paris and the Channel tunnel pass through their town, but it would have been too much to have to set up their stand at Waterloo.

Others would have given up the battle already, for the right-wing Government of Mr Jacques Chirac decided against them last year, opting for a route passing 30 miles to the east, and Mr Michel Rocard, his Socialist successor, confirmed the decision this month.

But the people of Picardy, e province of northern France which has been the battleground of Europe since the 12th century, have a reputation for not giving up easily.

"We will win, because we are right," says Mr Joseph Gouranton of the Amiens chamber of commerce, one of the leaders of the fight to bring the Train à Grande Vitesse (TGV) through the city.

This week the *Amiens campaigners* are taking their fight to London. They have bought plots along the route chosen by SNCF, the state railway, and are selling them et FFr10 (£9.38) per square metre.

When SNCF starts to buy the land for the TGV track, Mr Gouranton calculates, the paperwork involved in processing these thousands of smallholders will slow it up by six months. In his view, this ruins the Government's claim that it cannot now change its mind without delaying the TGV line beyond the scheduled opening of the tunnel in 1993.

Some 3,500 plots have already been sold in Amiens, and letters arrive every day from the UK, the Netherlands and even Romania, offering to join the club. Picardy already boasts a good many corners that are forever England, as the numerous First World War cemeteries and the commemorative plaques in the beautiful 13th-century cathedral at *Amiens testify, but the TGV* protesters are adding a different twist to Brooke's poem.

The Amiens campaigners base their argument on geography. A line through Amiens, they argue, would make the TGV's journey time from Paris to Calais 22 minutes shorter than the dogleg by way of Lille chosen by SNCF. As competition with the airlines intensifies, the campaigners add, a saving of one minute is calculated by SNCF itself to win 40,000 extra passengers a year.

AS THE tide seems to move against them, the Amiennois have fallen back on e second line of defence: if the initial TGV line must go via Lille, why not bend it slightly to pass by Amiens, thereby shortening the length of the branch line SNCF has promised it will eventually huild, and saving FFr3bn?

Halfway between Paris and the politically powerful centre *of Lille, Amiens has already* been bypassed once, by the motorway which links Paris to Lille. Without a major political leader to beat its drum, the town feels it has lost out to its northern neighbour, which is championed by former Prime Minister Mr Pierre Mauroy and by the present Transport Minister, Mr Michel Delebarre.

"We are part of the region around Paris known as the white belt, because it never received any aid from the regional development authorities," says Mr René Lamps, the mayor of Amiens, who fears serious consequencee for his town if it is cut off from the TGV link to the tunnel.

"In the first place there will be a sharp reduction in the number of trains which now link Amiens with Paris and Lille. Second, it will make things more difficult for the whole of the coast, from Boulogne down to Dieppe and Le Havre, which will be cut off from the tunnel link," says Mr *Lamps, in office since 1971*.

The Amiens protesters have, in fact, received financial support from Boulogne and the Norman capital Rouen, as well as from their own departmental and regional councils, for their FFr4m campaign.

BY taking the campaign to London, the Amiennois hope to enlist support from British travellers, who will have an interest in shortening their journey time between London and Paris – even if British Rail is dragging its feet over building a fast rail link between London and Dover.

"The logic of taking the TGV route through Lille is the link with Brussels and the north of Europe, while the link with England has heen treated almost with disdain. Yet the heaviest and most profitable traffic will be from London," comments Mr René Anger, a Picardy regional councillor.

The irony is that while the Picards are fighting to win the TGV, the inhabitants of Kent are just as keen to avoid having an express train passing through their countryside.

For Mr Gouranton, meanwhile, the battle for the TGV has turned into a crusade against the technocrats, the coterie of gradnates from France's top engineering school, the Polytechniqne, whose old boy network spreads throughout the French administration and who dominate the upper echelons of SNCF.

Though a Breton by hirth, he has picked up the obstinacy of his adopted Picardy in his efforts to harry SNCF and the Government into accepting his point of view.

"In the end we have to win, because the chauffeur of the Prime Minister and the chauffeur of the chairman of SNCF can see just by looking at the map that their bosses are wrong."

Japan and China sign investment agreement

By Peter Ellingsen in Peking

JAPAN and China, traditional enemies, have bypassed generations of enmity to begin a new era of closer ties.

The rapprochement, backed by sizeable economic concessions from Tokyo, will boost Japan's industrial profile in China, and provide Peking with a \$6bn (£3.5bn) loan spread over five years. The two *have signed an investment protection* agreement that will see Japan fund labour-intensive projects in China in return for tax guarantees and assured access to Chinese facilities.

The improved relationship is largely the work of Japanese Prime Minister Noboru Takeshita.

In a series of meetings in China with Chinese leaders, he managed to skirt sensitive bilateral issues, and persuade Peking of Japan's commitment to long-term investment.

With Taiwan and South Korea both interested in China's low wage manufacturing base, Mr Takeshita was determined to cement ties and ensure Japanese capital permanent access to China's booming coastal region.

Jamaican parties move to end violence

The leaders of Jamaica's two main political parties have signed a code of behaviour as part of an effort to rednce party political violence in an impending general election, writes Canute James in Kingston.

About 600 people were killed in the last contested general election in 1980, and both Mr Edward Seaga, the Prime Minister, and Mr Michael Manley, the Opposition leader, said they wanted to prevent a repetition.

The election is constitutionally due by mid-December, but Mr Seaga has not yet set a date for it.

Iran objects to oil quota parity

Iran said yesterday that Opec should not give Iraq an oil production quota equal to its own, Reuter reports from Nicosia.

State-run Tehran Radio broadcast a commentary rejecting the concept of equal quotas as Opec Secretary General Subroto arrived in Tehran to start negotiations aimed et resolving the dispute over Baghdad's demand for parity.

Mulroney hints at autumn election

Canadian Prime Minister Brian Mulroney has clearly indicated that the federal election will be held this autumn, writes Robert Gibbens in Montreal.

Only under exceptional circumstances should a Government stay for five years rather than the traditional four, he said.

When asked if exceptional circumstances now existed, he replied: "No."

Seoul generals held after attack

Two army brigadier generals, including the chief of staff of the intelligence command, are being detained for questioning about an attack on a journalist who criticised the military, the South Korean Government announced yesterday, writes Maggie Ford in Seoul.

There were reports last night, that the intelligence chief had been dismissed.

President Roh Tae Woo assured Opposition leader Kim Young Sam that a thorough inquiry into the attack would be held.

Delors plan for workers' rights

The European Commission is planning to release over the next week outline plans to improve workers' representation, and guarantee access to training and other rights, writes William Dawkins in Brussels.

Mr Jacques Delors, president of the Brussels executive, set these out in an interview with a French newspaper yesterday as his main social policy priorities before the 1992 target for creating a free single market.

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Kurds urge Turkey to let in victims of Iraqi gas

By Our Foreign Staff

KURDISH nationalist leader Masoud Barzani yesterday appealed to Turkey to open its borders to the victims of chemical warfare after what he said were fresh poison gas attacks in neighbouring Iraq.

Mr Barzani said more than 500 people had been killed and 3,000 wounded in the latest Iraqi chemical warfare offensive against the Kurds.

"Turkey has closed its border with Iraq and denies refuge to tens of thousands of Kurdish refugees," he said.

Turkey denied that it had sealed its borders.

Mr Barzani is leader of the Iraqi-based Kurdish Democratic Party (KDP), which is fighting, along with other Kurdish groups, for autonomy in a region straddling Iran, Iraq and Turkey.

The Kurdish guerrilla leader asked the Turkish authorities to allow women and children as well as those affected by poison gas to take refuge. He said Iraqi chemical attacks had intensified over the past two days in the districts of Zakho, Amadiyah and Sheikhan.

Turkey's Foreign Ministry yesterday denied that it had closed its border with Iraq but made it plain that Turkey reserved the right to deal on humanitarian grounds alone with Kurdish refugees seeking asylum. Turkey reserved the right to take any measures necessary for its security, the ministry added.

Reports in Turkey indicate that 5,000 to 8,000 Kurdish refugees have sought asylum in the past few days. The indications are that women, children, the aged and the infirm are being accepted, but that able-bodied men are being turned away.

Some of the refugees entering Turkey have been handed on to Kurdish villages in Iran, the reports add.

The ministry said Turkey would act in accordance with its international obligations. However, when signing the 1951 Geneva Convention and its 1967 annexe, Turkey reserved its position on its south-east borders.

This means it is obliged under the convention to accept refugees from Europe but not from neighbouring countries in the south-east.

The Kurdish Democratic Party says it has 15,000 *peshmergas* – guerrilla fighters – and 30,000 militiamen under arms and controls about 4,000 square miles of northern Iraq.

In Geneva, where Iran and Iraq are holding UN-sponsored peace talks, Kurdish nationalists appealed last week to Mr Javier Perez de Cuellar, the Secretary-General of the United Nations, to help bring peace to their troubled region.

On Friday, the UN Security Council unanimously condemned the use of chemical weapons in the war between Iran and Iraq.

Pakistan's opposition demands removal of caretaker leaders

By Christina Lamb in Islamabad

POLITICAL PARTIES of all shades in Pakistan have demanded the removal of the caretaker Government, claiming that it will use Government machinery to rig November's elections.

Mr Mohammad Khan Junejo, the former Prime Minister, joined the chorus yesterday when he called on acting President Ghulam Ishaq Khan to dismiss the four provincial chief ministers – who split with Mr Junejo's Moslem League (PLM) over the weekend – and the federal cabinet, and replace them with caretaker administrators.

"The PLM and all other political parties cannot tolerate such partisan people in the government where they can manipulate and rig the forthcoming elections," a party said.

President Mohammad Zia ul-Haq, killed in a mysterious air crash on August 17, sacked Mr Junejo's civilian Government and the provincial administrations last May. He nominated interim administrations, mostly PML members, to replace them until the November elections. These officials are still in place.

The new Moslem League faction brought about by the weekend split, hopes to form a pro-Zia coalition with Mr Ghulam Mustafa Jatoi's National People's Party and other right-wing forces, believing they can sweep to electoral victory as the inheritors of Gen Zia'e legacy. Dr Mehhubul Haq, the finance minister said: "Strong sympathy has been aroused by Zia's death and we intend to exploit this in the way Rajiv Gandhi used his mother'e assassination."

Since its leading role in the creation of Pakistan, the Moslem League has traditionally been a party of the "haves." The formation of the new faction means that the election battleground is once again divided between pro- and anti-Zia forces. The pro-Zia lobby intends to exploit "Zia's martyrdom in rescuing Afghanistan from the teeth of a superpower," while the anti-Zia forces will face the pitfalls associated with attacking a dead man.

Many members of the main opposition party, the Pakistan People's Party, feel that Ms Benazir Bhutto, their leader, lost support by saying that "no one regrets Zia'e death."

Before his death most opposition parties had united on one platform – the ousting of Zia. Now they are struggling to find positive issues to agree on.

SHIPPING REPORT

Business slow in dry cargo and tanker markets

By Kevin Brown, Transport Correspondent

THE volume of inquiries in both the dry cargo and tanker markets tailed off last week, surprising brokers, who had forecast an upturn in business after the summer doldrums.

Galbraith's, the London brokers, said rate levels weakened slightly in the Middle East Gulf for very large crude carriers, particularly for cargoes for eastward voyages.

For example, the Chinese Petroleum Corporation persuaded an owner to accept Worldscale 38.5 for a cargo of 240,000 tons to Taiwan, at a time when Worldscale 42.5 was regarded as the going rate.

A few fixtures were recorded for Red Sea discharge, but none for delivery to the West, except a 310,000-ton cargo for Exxon at Worldscale 35.

Elsewhere, rates improved slightly in West Africa, but there was little activity in the North Sea. Brokers said rate levels appeared to have bottomed out in the Caribbean and the Mediterranean, where a 25,000-ton parcel was reportedly fixed at Worldscale 135 for a cross-Mediterranean voyage.

In the clean market, brokers said quoted business was virtually non-existent, and private business was extremely thin.

Paris conference says 1992 single market is 'dangerous'

AN international group of industrialists and politicians yesterday warned that existing world trade agreements could be threatened by new regional accords, but said that they remained cautiously optimistic, Reuter reports from Paris.

Members of the United States-based Aspen Institute cited such bilateral pacts as the US-Canada Free Trade Agreement or the creation of a Single European market by the end of 1992 as being potentially dangerous for world trade.

Mr Hisashi Owada, Japanese ambassador to the 24-nation Organisation of Economic Co-operation and Development (OECD), said that the dangers for world trade were far from past. "Fragmentation is one danger and we have to look at how to integrate," he said.

New economic communities such as a unified Europe would be forced to look inwards if multilateral trade agreements were not maintained, said Mr William Eberle, a former top economic adviser in the US adminstrations of Presidents Richard Nixon and Gerald Ford. Mr Robert Gardner, a Columbia University professor and a former US ambassador to Italy, said that the world trade order was poised between integration and disintegration. But he added: "There is a feeling of cautious optimism."

The three men were speaking after a weekend seminar that brought together industrialists and politicians such as Mr Jacques Delors, European Community president, Mr Umberto Agnelli, vice-president of Italian carmaker Fiat, and Mr Toyoo Gyohten, Japanese Vice Minister of Finance for International Affairs and one of Tokyo's key economic advisers.

Also present for the first time in the 38-year history of the Aspen Institute were two Soviet economic policy experts.

The seminar was held ahead of a December ministerial review in Montreal of the current round of General Agreement on Tariffs and Trades (Gatt) talks now going on in Geneva. It focused on ways of solving problems in multilateral trade accords.

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION (1980 = 100)

					% change over previous year
	July '88	June '88	May '88	July '87	
US	126.8	125.8	125.3	120.3	+5.4
	June '88	May '88	April '88	June '87	
UK	116.6	117.6	116.5	111.4	+4.7
	May '88	April '88	Mar '88	May '87	
W. Germany	109.0	109.0	110.0	108.0	+0.9
Netherlands	103.0	103.0	105.0	107.0	−3.7
Japan	130.0	131.9	132.9	117.3	+10.6

Source: (except US) Eurostat

Old scores undermine Gulf settlement

Andrew Gowers traces the 400-year conflict over the Shatt al Arab waterway

The ancient cultural, religious and racial divide between the Shia Moslems of Persia and the Sunni Moslem Arabs has figured in 20 treaties and 25 wars since 1555. Time and again, conferences have been held, surveys conducted and documents signed only to be called into question a decade or two later.

AMONG students of the tortured relationship between Iran and Iraq, the current Geneva negotiations on ending the Gulf war have provoked an overwhelming sense of *déjà vu*.

Just hours after the opening of their talks, Mr Tariq Aziz, the Iraqi Foreign Minister, and Mr Ali Akbar Velayati, his Iranian counterpart, were back at loggerheads on one of the central questions which drove them to war in 1980 and an issne which has bitterly divided them and their forefathers for several centuries: control of the Shatt al-Arab waterway, which delineates their southern frontier.

Disagreement over the status of an earlier accord fixing the border and giving the two countries shared sovereignty over the waterway is holding up discussion of a timetable for further steps to consolidate the frail 10-day-old Gulf ceasefire, such as the withdrawal of troops and an exchange of prisoners of war.

The difference of view, with Iraq stating publicly on Sunday that the 1975 Algiers accord is null and void and Iran maintaining it is still in effect, underlines just how difficult the task of constructing a durable peace between Tehran and Baghdad is likely to prove.

The Shatt, an unprepossessing and these days eerily deserted stretch of water which runs for 192km from the confluence of the Tigris and Euphrates rivers to the Gulf, has been a touchstone for relations between the powers on either side since the time of the Ottoman and Persian empires which preceded modern Iraq and Iran.

Marking part of an ancient cultural, religions and racial divide between the Shia Moslems of Persia and the Sunni Moslem Arabs, it has figured in around 20 treaties and 25 wars since 1555, by an Iranian calculation. Time and again, conferences have been held, surveys condncted and documents signed only to be called into question a decade or two later. Even the waterway's name is in dispute: while the Arabs call it Shatt al-Arab (literally River of the Arabs), the Persians prefer Arvand Rud, thongh nobody seems quite sure what that means.

As long ago as 1914, a member of an international commission established to draw up a "definitive" border between the Ottomans and Persians described the dispute as "a phenomenon of procrastination unparalleled in the chronicles of oriental diplomacy".

Since then, if anything, the sensitivity of the issue has increased with the rise of modern nationalism and the growth of conflicting economic interests around the waterway.

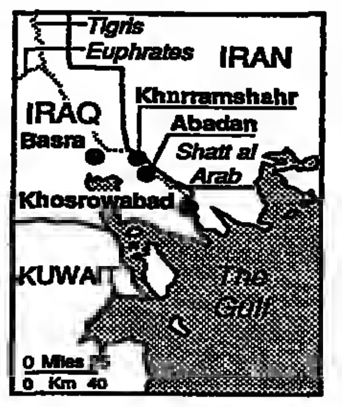
The question, as always in snch disputes, is where to start. Although frontiers were broadly set by the 1639 treaty of Zuhab, modern discussion of the issue tends to commence with the more precise Second Treaty of Erzerum, which was signed in 1847 and allocated the Shatt entirely to the Ottoman empire.

It was not until the early 1900s, however, that the Shatt dispnte came sharply into focus, with Britain and Russia intervening to prodnce the Constantinople protocol of 1913. This allowed the Ottoman empire to retain control over the Shatt, but granted the east bank to Persia as well as enhancing its navigation rights. It was to be the basis of modern Iraq's claim, as snccessor to the Ottoman empire, to the waterway, a claim reaffirmed by a further treaty negotiated in 1937.

Iran (as it became) was never happy with these arrangements. As early as the 1920s, the Shatt was one of the points at issue when tronble broke out in Kurdistan and along the central border. But the situation deteriorated sharply with the Iraqi revolution of 1958, which intensified a series of rows over navigation rights, use of ports and payment of tolls. The disputes simmered until 1969, when Iran abrogated the 1937 treaty and sent gunboats np the Shatt, effectively taking possession of the *thalweg* or deepest channel in the waterway.

THE seeds were thus sown for the Gulf war and for the current dispute. In 1975, when Baghdad was under heavy pressure from an Iranian-backed Kurdish insurgency in the north, the Iranian claim to half of the Shatt was confirmed in an agreement signed in Algiers.

Now it was Iraq's turn to feel aggrieved as a result of a border settlement which President Saddam Hussein now says he only accepted under duress. Iraq's 1980 invasion nf Iran was at least in part an attempt to expunge this memory, and was preceded by the famous TV appearance in which Saddam tore up the Algiers accord.



Now that the wheel has turned full circle and the fighting is over, what are the issues of substance raised by the Shatt? The main one arises from Iraq's constant wnrry about being virtnally landlocked. The waterway, which needs frequent dredging, is its only ontlet to the Gulf, and the entire livelihood of its second city, the port of Basra. Apart from the Shatt, Iraq's coastline stretches only 15km along the Gulf compared with Iran's 2,300km coast.

In the early days of the war Iraq had to shut down its rich southern oilfields, and its inability to export crude by tanker forced it to develop an extensive pipeline network across Turkey and Saudi Arabia. In theory, this means that Baghdad should not have to worry about getting its oil out by sea, but in practice, it will always want to use tanker routes as a hedge. And in any case, it will not forget in a hurry the trauma of being dependent on roads from Kuwait, Jordan and Turkey for imports.

Iran, too, has a big economic and strategic stake in and around the Shatt. Its port of Abadan grew in importance in the 1970s and is the site of a big oil refinery. It also had a naval base on the waterway at Khosrowabad. Kharg island, Iran's principal nil export terminaa, lies only 48km offshore.

Nevertheless, the principal significance of the Shatt issue today for both sides is probably symbolic. Western diplomats following the talks believe that in a rational world the idea of shared control would be a perfectly good starting point for negotiatinn. But in restating the Iraqi claim to the entire waterway and declaring the Algiers accord null and void, the Baghdad regime is looking for a moral victory after forcing Tehran to sue for peace last month. In making clear that the 1975 agreement is non-negotiable, Iran is seeking to save some face after this year's disastrous setbacks.

Both seem to be exploiting the issue, as they have for centuries, as a reflection of their wider regional rivalries. For the moment, the ceasefire remains in place, but with 1m troops on each side still confronting one another and Iraq still occupying sizeable pockets of Iranian territory near the central town of Mehran, tension is likely to remain high.

The Shatt al-Arab remains blocked with an eight-year accumulation of silt and with the hulks of numerous ships. Even assuming the two sides can eventually agree on bow to proceed, it will cost huge sums to clear. Given the ancient legacy of irrational distrust, it is hard to see an atmosphere of peaceful coexistence quickly or durably settling over the waterway.

Broadcasters' plea to Thatcher on standards

By Raymond Snoddy

BRITAIN'S television prodncers yesterday appealed to Mrs Margaret Thatcher,the Prime Minister, to think again her plans for a statutory Broadcasting Standards Council to supervise the portrayal of sex and violence on British television.

Broadcasters said they saw no useful role for e Council which could have little influence over satellite channels transmitting from outside the UK, when television channels based inside Britain were already within the jurisdiction of an existing authority.

Sir William Rees-Mogg, chairman of the Conncil (which has been set up but does not yet have legal authority) has promised to seek agreement on a code of practice on matters of taste across the television industry.

Broadcasters at the final session of the Edinburgh International Television Festival appealed to the Prime Minister "to see that no further action is taken towards establishing the BSC as a statutory body until full industry agreement has been reached in respect of this proposed code."

Their comments on the Council will be inclnded in a wide-ranging letter to the Prime Minister which will also warn of the threat to standards in a multi-channel system and the danger that individual channels could be so poorly financed that they could only afford imported material.

Mr Anthony Smith, departing director of the British Film Institute, who chaired the session, said he hoped the Prime Minister would make a final check before puhlishing her hroadcasting white paper to ensure adequate resources "for the maintenance of an indigenous prodnction industry."

The "Memo to Maggie" will also emphasise:

- the importance of reconfirming and strengthening the programme remit of the independent Channel 4;
- retaining the BBC licence fee to safeguard the Corporation as "a solid edifice at the heart of our industry;" and
- the vital role of independent production.

Union row looms for satellite TV

By John Gapper and Raymond Snoddy

TWO BRITISH trade unions, tha ACTT television technicians' union and the EETPU electricians' union, could he set for a recruitment battle in the satellite hroadcasting industry.

The prospect of conflict between the ACTT and the EETPU, which is almost certain to be expelled from the Trades Union Congress next week, emerged after the disclosure that one satellite station is to withdraw recognition from unions and another is to seek a single-union, strike-free deal.

Both unions said yesterday that they were likely to seek recognition at British Satellite Broadcasting, which announced during a debate at the Edinburgh International Television Festival at the weekend that it wanted a strike-free deal.

Mr Boh Hunter, managing director of the NOW channel, one of three to be launched by BSB in autumn 1989, said ha also wanted complete flexibility of working.

The company's move is likely to present the ACTT with a choice between signing a strike-free recognition agreement, against the terms of the TUC's new draft code of conduct on single-union deals, or giving up existing members to the EETPU.

Mr Rupert Murdoch's Sky Television admitted during the same debate at the festival that it was to end recognition of the ACTT before a switch to new £15m headquarters in Osterley,

Couriers get ready for postal strike

By Our Labour Correspondent

PRIVATE sector mail companies were husy making preparations yesterday in the run up to the 24-hour strike by 140,000 Post Office staff due to start at midnight over special recruitment payments to staff in the south-east of England and London.

But they were very much preparations for business as usual, rather than an onslaught on the Post Office's bnsiness. For although some companies may claim to he ready to step into the breach, none would claim they had the capacity to provide an alternative general mail service, especially during a short dispute.

It would take primary legislation to aholish the Post Office's monopoly on all mail costing less than £1, hut the monopoly could be suspended for an indefinite period by statutory instrument, a procedure which would normally take three weeks. But even if this happened it seems unlikely private couriers would be able, or willing, to fill the breach.

Securicor Express, one the largest private parcels companies, calculates that even if all the private companies combined they would still he unable to match the Post Office. It would be almost impossible for private sector companies to match the Post Office's volume, unit costs and prices. Most private sector managers estimate they would have to charge close to £2 for an 18p letter.

At the time of the last threatened postal strike, before Christmas, TNT Roadfreight, which has led private sector criticism of the Post Office's monopoly, said it would have to recruit an extra 20,000 staff and establish an extra 9,500 offices

But the Post Office could lose business both to private sector carriers keen to expand their share of the international business mail market, and on time-sensitive, express mail.

Inner city bike courier services indicated they expected to pick up trade; British Telecom and Mercury, the telecommunications companies, could henefit from a temporary increase in facsimile traffic.

Taking a gamble on Employment Training

Charles Leadbeater reports on an ambitious job initiative launched this week

THE LAUNCH on September 1 of the Government's most ambitious training programme to date for the unemployed is, on the face of it, an enormous gamble.

The programme, entitled simply Employment Training, is intended to provide an average of six months' training for 600,000 unemployed adults a year, at a cost of £1.5bn. This single programme will replace 37 separate schemes for the adult unemployed, which have been introduced piecemeal over the last decade. Or to put it another way: the Government is putting all its eggs in a none too secure basket.

The programme is substantially modelled on the New Job Training Scheme, introduced last year with the aim of providing unemployed young adults with on-the-job training. The scheme has been little short of a disaster.

It is providing little more than one quarter of the 110,000 places planned; many trainees drop out in the first few weeks, and according to internal Training Commission reports those that remain do not get high quality training during their spells with employers.

Despite these discouraging antecedents, ministers are confident Employment Training will get off to a much better start than the New JTS.

The Government is determined that with the labour market tightening, unemployment falling and the number of new entrants on to the job market also on a down trend for demographic reasons, schemes for the unemployed should deliver a clear route back into work.

Thus the emphasis will switch from providing temporary work, but little training, under the Community Programme, to providing skills training, on employers' premises, through Employment Training. Even if the programme does not provide much by way of training, the argument goes, it will help the unemployed get on to the lower rungs of a company's internal labour market ladder.

The new programme does start off from a much stronger base than its predecessor.

Contracts to provide the 600,000 six month long places will be signed by the end of next month. More than 1,000 training managers have been appointed to arrange courses for trainees, and 200 training agents are in place to provide trainees with initial counselling on which occupations they should train for.

Employment Training will not have to deliver all its places in one go: it will only have to replace Community Programme schemes as they come to an end during the next year. So it will have to grow by about 30,000 places a month to meet its targets.

But its chances of success crucially depend on whether employers will be prepared to offer work placements.

The Commission expects labour market pressures to push companies into the scheme, even if they are initially sceptical.

Skill shortages in the construction industry have, for instance, led major employers such as Wimpey and Laing into the programme.

Sainsbury, the supermarket chain, will offer work placements, partly to help it overcome recruitment difficulties in the south-east. It also believes it needs to start

ET

EMPLOYMENT TRAINING

recruiting adults for jobs traditionally done by young people, because of the fall in the number of school leavers.

A further push comes from the fact that the Youth Training Scheme cannot meet demand: more employers are offering work placements to youngsters than there are young people to take them. In time, the Commission believes, companies will come round to the idea of filling the gap with adults.

An internal Training Commission report in June reported that more than 30 major employers, including Austin Rover, Barclays Bank, WH Smith and Woolworth, were negotiating contracts for the scheme. A number of strong Chambers of Commerce, such as those in Birmingham and Sheffield, will also be involved.

However, there are still a number of problems to be overcome. The Confederation of British Industry, which supports the scheme, nevertheless notes that many companies do not know enough about it, and that others have reservations.

One reason is that employers will be expected to pay £5 a day towards the cost of training those on work placements. Overall, employers will be expected to provide about £150m a year towards the scheme.

However, two of the largest employer schemes – a 3,000 place programme planned by the Clothing Industry Training Board, and ona with 6,000 places organised by the Construction Industry Training Board – will in effect pay employers to provide the training. The implication is that this was necessary to give the schemes a chance of success.

Many manufacturing companies are equally not interested in recruitment: they are still shedding labour. British Aerospace, for instance, has closed a number of sites in the last two years and is concentrating on retraining among its 140,000 employees. It does not plan to take part in the programme.

The Commission argues that ET will provide trainees capable of highly skilled work. A fifth of trainees may need help with literacy and numeracy; but another fifth will have at least one 'A' level exam pass, indicating education to university entrance standard. Even so, many employers doubt the scheme will be able to provide the workers they need, particularly in new technology areas.

Mr Tony Page, personnel director at Dowty, the engineering company, which is considering whether to participate, commented: "The main question is whether it fits in with our training and recruitment plans. In the main we need skilled labour, and the skills we need are becoming more complex. This schema seems unlikely to help us to fill those vacancies."

For these reasons it is likely a majority of the programme's work placements will be in the service sector. But even here, employers are demanding higher skills as well. British Airways, for instance, with 40,000 UK employees, does not plan to participate.

Lloyds Bank, in common with many other large companies, will not be participating because it is confident of its ability to compete in the youth market, through its long established Youth Training Scheme.

In the puhlic sector, the Commission expects 110 local authorities to participate. But there will also be significant and substantial opposition, particularly in Scotland. In Livarpool, local government opposition to the scheme could be especially damaging: with about 31,000 employees, it dwarfs local private sector employers as a potential provider of work placements.

Indeed tha situation could get worse if the Trades Union Congress decides at its general congress next week to boycott the scheme. Already some major employers, such as Ford, are unlikely to participate because of union opposition. A TUC boycott would almost certainly persuade others to join them.

Employers are lukewarm about scheme for out-of-work adults

EMPLOYERS seem set to give a lukewarm response to the launch on Thursday of Employment Training, the Government's £1.5hn a year programme for the adult unemployed, Charles Leadbeater writes.

Ministers regard the programme as a significant improvement on previous special employment measures because it is intended to offer unemployed adults periods of on-the-joh training with employers.

The programme is planned to offer an average of six months' training for 600,000 unemployed adults a year. It is planned that trainees would spend about 60 per cent of their training period gaining work experience on employers' premises. Employers are expected to pay £5 per day per trainee towards the cost of training.

Bnt the Confederation of British Industry, which helped to draw np plans for the scheme, said many employers had reservations ahont it which might prevent them from taking part. This could make it difficult for the programme to provide the planned level of work experience.

It is understood several major manufacturers have told the Training Commission, the Govarnment's joh training agency, that they are unlikely to take part because they are still shedding labour. British Aerospace, for instance, said it was concentrating on retraining its existing employees rather than planning recruitment.

In the banking and finance sector, Barclays Bank has been in negotiations with the Commission to provide places under the programma. But Midland Bank and Lloyds Bank said they would be relying upon their well established Youth Training Scheme programmes for recruitment.

Some manufacturing companies, such as Ford, are concerned that the industrial relations difficulties of introducing the programme could he too costly, with several unions already opposed to the scheme, and the TUC next week likely to decide on some form of boycott.

However, Employment Training does seem likely to be popular among retailers. Marks and Spencer, WH Smith, and Woolworth Holdings have been negotiating with the Commission over providing places. Sainsbury, the supermarket chain, said it would be participating to help ease recruitment difficulties in the south-east, and to establish new patterns of recruitment to compensate for the fall in the number of young people coming into the labour market.

Skill shortages have persuaded the major construction companies to participate, as well as the clothing industry's industry training board,

Expatriates may face hefty rise in tax return costs

By Richard Waters

FAR-REACHING changes to the way expatriates are taxed in the UK could treble the cost to them of preparing tax returns, experts have warned.

The average compliance cost for an expatriate executive working in the UK is likely to go up to about £1,000, or three times its current level, said Mr Martin McLellan, a tax partner at Coopers & Lybrand, the accountants.

Mr Roger White, of Peat Marwick McLintock, said he expected the cost to double at least. Expatriate clients of the firm's London office already pay at least £500 to have their tax return completed, though those who are part of a package arrangement with a large employer are likely to pay considerably less.

These extra costs will arise if the Inland Revenue adopts radical proposals for changing the basis of expatriate tax, which were announced in a recent consultative document. Anyone spending more than a set period in the UK would be forced to declare worldwide income and capital gains to the authorities, not just earnings that arise in the country.

This requirement would present extensive compliance problems, including the need to adjust all records and computations to fit UK tax rules. In many cases foreign nationals would find themselves disclosing more to the UK's Inland Revenue than to their own national tax authorities.

The Inland Revenue's consultative document, Residence: The Scope For UK Taxation Of Individuals, has provoked strong objections from tax professionals on other grounds as well. According to Mr John Andrews, partner in charge of tax at Coopers & Lybrand, it makes a superficial case for overhauling the system.

Accountants and lawyers claim that the amount of tax paid by expatriates would not increase as a result of the changes, even though one of the Revenue's stated objectives is to force people benefiting from living in the UK to pay more UK tax. Some individuals would simply refuse to disclose information about their overseas activities.

"I've got a feeling that at the end of the day they'll be paying no more tax after having gone through the whole process," said Mr White.

Forecasts for growth and consumer spending revised upwards

By Ralph Atkins, Economics Staff

STRIKING CHANGES in forecasts for the UK economy since the beginning of the year are highlighted in a Financial Times survey published today.

The compilation of forecasts by 21 independent forecasting groups points to strong economic growth this year, with investment, manufacturing output and consumer spending all increasing at an exceptional pace.

Gross domestic product is expected to grow by 3.6 per cent on average this year – higher than the 3.1 per cent shown in the last survey in April.

Investment is forecast to grow by at least 10 per cent this year. The previous survey also showed strong growth – but only of about 6 per cent.

However, the survey shows independent economists are far more pessimistic about the current account deficit both in 1988 and 1989.

In April, a deficit of about £5bn was expected this year and about £6bn in 1989. These have now been revised to show forecasts of about £10bn or £11bn in both years. Some forecasts for next year show deficits as large as £14bn.

Even these forecasts are probably on the conservative side. All the forecasts were *made before last week's trade figures* which showed a record £2.15bn deficit in July.

This is likely to lead many forecasts being revised upwards again, unless figures for the next few months show a dramatic turnaround. Figures for economic growth, investment, consumer spending, imports and interest rates are also likely to increase.

On inflation, the forecasts also show a more pessimistic outlook than in April. If the City economists prove correct, the annual inflation rate could be approaching 6 per cent *before the end of the year.*

Other highlights of the survey include:

- High interest rates of about 10 per cent for the remainder of this year and in 1989. The forecasts were made before last week's 1 percentage point increase in base rates to 12 per cent and many groups will probably revise up their estimates.
- A fall in the value of sterling. The Bank of England's sterling index is expected to average 76.1 in 1988, falling to 74.4 in 1989.
- Import growth continuing to outstrip export growth. This year exports of goods and services are forecast to grow by just 2 per cent while imports rise by nearly 9 per cent. Next year a narrowing of this gap is expected.

The survey shows the forecasts of most independent forecasting groups differ greatly from the Treasury forecast published at the time of the Budget. This forecast is not included in the FT average.

The overall results should be taken with a fair-sized pinch of salt. The FT average is a simple unweighted average that takes no account of differences in measurement of the different variables.

For some measures, the survey does not compare exactly like with like. Some of the forecasts for interest rates and exchange rates are based on year-end estimates which may distort the annual averages. Nor has any account been taken of different assumptions underlying economic models used by the forecasting groups.

FORECASTS FOR THE UK ECONOMY

(Unemployment, sterling index and interest rates are average over period. Balance of payments in £bn. Retail price inflation is year to fourth quarter. Others are percentage change over 12 months. Dash indicates information not available)

	Date	Gross Domestic Product 1988	GDP 1989	Consumer spending 1988	Consumer spending 1989	Manufacturing output 1988	Manufacturing output 1989	Fixed investment 1988	Fixed investment 1989	Retail price inflation 1988	Retail price inflation 1989	Unemployment Millions 1988	Unemployment Millions 1989	Balance of payments current account 1988	Balance of payments current account 1989	Sterling index (1975=100) 1988	Sterling index 1989	Interest rates (3 month interbank) 1988	Interest rates 1989	Exports volume 1988	Exports volume 1989	Imports volume 1988	Imports volume 1989
Treasury	Mar	3	2.5	4	3	5	3.5	6.5	6	4	4	—	—	-4	-4	—	—	—	—	3	2	6.5	4
Confederation of British Industry	Aug	4.2	3.2	6.2	4.0	7.2	4.0	12.8	4.4	5.2	5.0	2.4	2.5	-11.1	-8.7	78.0	73.9	0.4	10.4	3.3	7.5	12.3	7.4
DRI Europe	Aug	3.8	1.9	4.7	2.4	3.8	5.2	10.0	1.7	4.8	4.9	2.60	2.28	-10.3	-10.2	74.8	67.6	9.4	10.2	2.6	5.9	6.0	5.4
Henley Centre	Aug	3.2	1.9	5.5	2.8	6.0	2.8	9.3	1.1	5.4	5.2	2.35	2.13	-9.9	-10.1	75.9	74.6	10.1	11.3	1.4	3.5	8.3	3.9
Ernst & Whinney ITEM Club	Jun	3.7	2.6	5.2	3.4	5.8	3.5	8.1	2.1	5.6	4.5	2.5	2.3	-8.3	-8.0	75.7	74.0	9.6	10.0	1.0	3.5	7.1	4.9
Liverpool University	Jun	4.0	2.8	6.4	3.2	—	—	—	—	5.0	3.9	2.2	2.0	-7.3	-8.1	77.1	75.2	9.2	9.1	—	—	—	—
London Business School	Jun	3.4	2.4	4.6	3.1	4.5	3.6	8.3	3.6	4.8	4.3	2.42	2.37	-5.0	-4.9	78.0	73.0	6.8	0.0	2.6	5.1	7.3	5.2
National Institute	Aug	3.9	2.4	5.3	2.7	5.1	1.9	10.1	6.4	4.8	5.8	2.3	2.0	-11.2	-13.4	78.4	74.5	8.4	10.5	0.8	6.0	9.5	7.2
OECD	Jun	3.5	2.25	5.0	3.25	5.0	2.5	8.75	4.0	3.25	3.25	—	—	-5.75	-7.5	—	—	—	—	2.0	2.0	7.75	4.25
Oxford Economic Forecasting	Jul	3.4	2.5	5.4	3.5	6.0	3.0	11.9	4.25	5.5	4.6	2.4	2.2	-10.4	-6.5	75.8	74.9	9.7	9.8	0.3	4.2	8.4	5.0
CL-Alexanders Laing Cruickshank	Aug	3.2	1.4	5.2	2.2	5.3	1.4	8.5	7.2	5.7	4.7	2.42	2.42	-11.0	-10.8	75.9	71.4	10.0	9.0	1.5	4.4	9.1	4.4
Credit Suisse First Boston	Aug	4.25	3.5	6.5	5.0	6.5	6.0	10.0	5.0	5.25	4.5	2.5	2.0	-10.0	-9.0	77.0	76.0	11.0	9.5	2.5	4.0	8.5	6.0
Goldman Sachs	Aug	3.8	2.1	5.6	3.2	5.3	4.1	11.9	4.5	5.4	4.0	2.37	2.23	-9.9	-11.4	76.6	76.1	10.0	9.5	1.8	4.8	9.4	8.0
Greenwell Montagu	Aug	4.0	3.0	6.0	3.6	6.0	4.0	11.0	4.0	5.5	4.6	2.4	2.1	-10.0	-8.0	76.0	74.0	9.75	10.25	2.0	3.0	8.0	4.0
Hoare Govett	Aug	3.9	2.6	5.5	3.0	6.5	3.6	8.5	3.5	5.3	4.6	2.37	2.08	-9.5	-9.0	77.1	76.5	10.65	9.1	3.8	2.9	8.8	4.4
James Capel	Aug	2.5	2.0	4.8	2.9	8.3	3.7	9.3	3.8	5.2	4.3	2.38	2.10	-10.0	-11.25	76.7	77.5	10.1	10.1	2.1	3.1	8.7	7.5
Lloyds Bank	Aug	3.6	2.8	5.6	3.8	6.0	3.5	12.0	6.7	5.5	5.1	2.3	2.2	-13.2	-14.1	76.5	75.5	10.0	11.0	2.7	2.8	10.1	6.2
Morgan Grenfell	Aug	3.6	2.4	4.8	2.7	6.3	2.7	11.5	2.9	5.9	4.6	2.36	2.0	-10.2	-11.4	76.4	76.8	10.0	9.7	0.4	4.1	9.4	2.4
National Westminster	Aug	3.5	2.3	4.8	2.9	4.5	2.5	6.0	3.4	5.7	4.5	2.45	2.2	-10.0	-7.0	76.6	76.1	0.9	9.8	3.0	3.8	6.0	4.7
Phillips & Drew	Aug	3.5	2.1	6.0	4.2	5.4	2.0	10.2	2.8	5.6	4.6	2.37	2.33	-11.6	-14.3	76.2	76.4	8.9	11.5	1.5	4.1	9.8	7.5
Shearson Lehman	Aug	4.7	1.7	5.8	1.5	—	—	13.1	2.3	6.2	6.4	2.3	2.27	-11.7	-13.7	74.1	68.7	9.9	12.0	1.4	3.4	8.7	4.5
Warburg Securities	Aug	4.3	2.8	5.7	3.4	6.0	3.2	11.3	2.5	5.7	4.8	2.4	2.2	-10.4	-10.9	76.0	74.0	12.0	10.0	2.7	4.0	6.3	4.6
FT average		3.6	2.4	5.5	3.2	5.6	3.3	10.0	3.5	5.3	4.6	2.38	2.20	-9.8	-8.7	76.1	74.4	8.9	10.1	2.0	4.1	8.7	5.3
Average of City forecasts		3.6	2.4	5.5	3.2	5.7	3.3	10.3	3.6	5.8	4.9	2.37	2.18	-10.6	-10.9	76.3	74.9	10.3	10.1	2.1	3.7	8.8	5.3

NOTES: Treasury numbers are rounded to nearest ½ point while forecasts for 1989 are based on first half only. OECD, CSFB rounded to nearest ¼ point. GDP: Liverpool, expenditure measure. CBI, DRI, London Business School, National Institute, output measure. Others use average measure. Consumer spending: Liverpool, non-durable consumption. Retail price inflation: Liverpool, av for year, OECD, av consumer prices. Unemployment: Sterling index: CSFB, Hoare Govett, Morgan Grenfell, year end. Interest Rates: CBI, Liverpool, National Institute, 3-month Treasury Bill. DRI, London Business School, Phillips & Drew, base rates. CSFB, Hoare Govett, Warburg Securities, year end.

OFT to probe travel insurance practices

By David Churchill, Leisure Industries Correspondent

THE OFFICE of Fair Trading is carrying out a preliminary investigation into the practice by which travel agents link holiday insurance with the sale of package holidays.

The OFT is acting on complaints from small independent travel agents that the leading chains are using their market power unfairly and thus acting anti-competitively.

If OFT officials agree with these complaints a formal investigation will be launched under the 1980 Competition Act which could eventually lead to the Monopolies and Mergers Commission deciding if the practice is against the public interest.

The issue at stake is travel agents' insistence that low deposits or discounts for package holidays are available only to those customers who also buy travel insurance from the travel agent.

Small agents believe that the larger chains are able to offer such deals because of their size. In the present competitive market, they claim, this is forcing small agents out of business.

The Lunn Poly travel agency chain, the largest UK agency, offers discounts of between £5 and £25 per person on holidays booked through its shops to customers who buy insurance cover at £16.50.

Thomas Cook says that it offers holidaymakers the chance to pay only a £5 deposit on holidays if they agree to buy its £15.95 travel insurance as well.

"But this only operates as a special offer during certain times of the year," said a Thomas Cook spokesman.

Other leading travel agencies offer similar special deals and these are likely to be emphasised over the next few weeks in an attempt to persuade holidaymakers to book early for next summer.

All the travel agencies stress that buying insurance from them is not compulsory and that holidaymakers are free to forego the special offers and make other arrangements. However, in practice, few holidaymakers do so.

The OFT officials will have to determine whether the larger chains can secure preferential insurance terms.

In addition, some small agents also argue that the insurance provided by the large chains is inadequate.

OBITUARY

Lord Peart: Labour leader in both Houses

LORD PEART of Workington, who as Mr Fred Peart was Minister of Agriculture and Leader of the Commons under Mr Harold Wilson, has died aged 74.

Lord Peart was elected MP for Workington in 1945, a seat he held for 31 years. He was appointed Agriculture Minister when Labour won power in 1964, becoming Leader of the Commons in 1968.

After Labour's 1970 election defeat, he lost to Mr Roy Jenkins in the election to succeed Mr George Brown as the party's deputy leader. He served as an Opposition spokesman on House of Commons matters, defence and agriculture, again becoming Agriculture Minister when Labour won in 1974.

In 1976 he was appointed Leader of the House of Lords – the first parliamentarian since Benjamin Disraeli to have been Leader of both Houses.

UK share of popular drugs market rising

By Peter Marsh

BRITISH drug companies are increasing their share of top-selling products in the world's £60bn-a-year pharmaceutical industry.

UK companies accounted for 10 of the top-selling medications in 1987, two more than the year before. This number of products in the top 50 was bettered by only the US, which had 20 of the biggest-selling medications, three fewer than in 1986.

The figures come from an annual survey of pharmaceuticals published by Robert Fleming Securities, a London stockbroker.

Japan was the only other country whose pharmaceutical companies showed an improvement similar to the UK between 1986 and 1987. The Japanese pharmaceutical industry was responsible for seven of the top-selling products last year, compared with five the year before.

West Germany's tally went up from four to five while the performance of Swiss companies, which accounted for six products in both years, remained the same.

Italy and Sweden each accounted for one drug in the top 50 in 1987, compared with one and two respectively a year earlier.

Among UK drug companies, Glaxo, Britain's biggest, accounted for three of the top-selling medications. Zantac, its anti-ulcer product, was the world's biggest-selling drug for the second year running with revenues of £867m, while Ventolin, which combats asthma, was 13th in the league table with sales of £237m.

Fortum/Fortaz, a Glaxo antibiotic, crept into the table in 50th position, notching up sales of £132m.

Imperial Chemical Industries was also responsible for three of the 50 top products, with Beecham accounting for two and Fisons and Wellcome one each.

All the British companies were, however, a long way behind Merck, the US company which is the world's biggest drugs concern and which accounted for six of the top 50 products in 1987. "Merck's ability to translate its research into revenues continues on this crude analysis to be greater than that of any other company," says Robert Fleming.

Of individual UK drugs, Zovirax, Wellcome's anti-viral product, made a rapid advance in 1987, entering the top 50 list for the first time.

Robert Fleming believes drugs to treat diseases of the heart and blood system will continue to account for the largest single product group in terms of sales.

Pharmaceutical Products Worldwide, 1988. Robert Fleming Securities, 25 Copthall Avenue, London EC2R 7DR.

THE 10 BIGGEST-SELLING UK DRUGS

World Rank	Brand Name	Company	Therapy	1987 sales(£m)
1	Zantac	Glaxo	ulcer	867
3	Tenormin	ICI	heart	530
13	Ventolin	Glaxo	asthma	237
14	Inderal	ICI	heart	230*
15	Amoxil	Beecham	antibiotic	225
29	Zovirax	Wellcome	antiviral	175
31	Augmentin	Beecham	antibiotic	168
40	Nolvadex	ICI	cancer	147
48	Intal	Fisons	asthma	133
50	Fortum/Fortaz	Glaxo	antibiotic	132

Source: Robert Fleming Securities. *Includes sales by American Home Products

Group aims to attract executives to Labour

By Tom Lynch

A PRESSURE group aimed at making the Labour Party more attractive to young entrepreneurs and business executives will be launched at the party's conference in Blackpool in October.

The organisers of Enterprise For Labour acknowledge that it will be among the most derided of the many ginger groups campaigning on the conference fringe.

They expect to be dubbed yuppie socialists, champagne socialists and worse, as they argue for policies geared to enterprise and efficiency.

Mr Frank McKirgan, an assistant vice-president at a US financial institution in the City of London, cheerfully affirms that the purpose of launching EFL in Blackpool is to confront the hard core of mainly left-wing activists who dominate the constituency section of the party conference.

"They will be most hostile to us, I would imagine," says Mr McKirgan who, as a constituency activist, has some experience of left-wing scepticism.

Apart from acting as a seaside coconut shy for the far left, EFL hopes to rally support for Labour from among the young professionals, executives and self-employed who *do not equate material success* with the abandonment of socialist values.

Mr McKirgan rejects the expected "yuppie socialist" label, arguing that while EFL members might have prosperous lifestyles, they do not share the "money-grubbing attitude" associated with it or the commitment to self-advancement at the expense of others.

He defines the group's target audience as people out of university for a few years, who were once politically active but feel Labour is no longer their kind of party.

He said those who stayed in the party found their contemporaries "turned off" by Labour because they did not think it was for people like them.

Mr McKirgan argues that Labour is never going to be elected again "unless it has something to say to people who don't see themselves as disadvantaged or dispossessed."

BS close to deal on ferry order

By Kevin Brown, Transport Correspondent

BRITISH Shipbuilders is close to a deal on the future of a dozen ferries built by its closure-threatened Sunderland subsidiary, North East Shipbuilders.

The corporation's lawyers have been negotiating since April with lawyers for Mr Henrik Johansen, a Danish shipowner and property developer who ordered 24 small ferries from NESL in 1986.

The contract was cancelled by British Shipbuilders after a dispute over equipment specifications and the schedule for stage payments amounting to several million pounds.

Two ships were delivered, and are in service between Denmark and West Germany. Ten are berthed in the River Weir, and two more are expected to be launched soon.

The negotiations, said to be at a delicate stage, are believed to centre around the delivery of some of the completed ferries to Mr Johansen, and the sale of the rest to other Danish buyers.

This would be in line with Mr Johansen's plan to operate 12 ferries through his own companies and sell 12 to other shipowners. The ships were designed for use in the crowded waters around the Danish islands.

The disposal of the ferries would end an embarrassing chapter for British Shipbuilders, which has incurred substantial losses on the contract and is running out of berthing space for the unsold ships.

However, there is no prospect that an agreement with Mr Johansen could revive the original contract for 24 ships. British Shipbuilders declared 1,000 lay-offs at NESL last week, and these will go ahead.

The Government has invited bids for NESL as part of the break-up and privatisation of British Shipbuilders, and the company faces closure unless a private sector purchaser is found by the end of September.

Three potential buyers have declared an interest, but none has made a detailed offer. They are Mr Peter Zacchi, the designer of the cancelled ferries, Mr Alex Copson, who wants to use NESL to build a fleet of waste disposal ships, and Mr Nat Puri, head of Melton Medes, a Nottingham-based engineering group.

There is little hope that NESL can be saved, at least in its present form. A private sector bid would be viable only if the purchaser could also win a proposed £100m Cuban order.

The Government has indicated that a subsidy of about £25m would be available to a private buyer. But the contract would provide work for only one of NESL's two yards.

Crash will not alter air show rules

By Michael Donne, Aerospace Correspondent

STRICT RULES laid down for the flying display during next week's Farnborough International Air Show will not need to be changed as a result of the weekend air show disaster at the US air base at Ramstein, West Germany.

The Farnborough rules are governed by two committees – the Flying Operations Committee, which establishes basic requirements for participating aircraft, and the Flying Control Committee, which overseas the running of the display.

Members include representatives of the Society of British Aerospace Companies, which organises the show, the Civil Aviation Authority and the Royal Aerospace Establishment, Farnborough.

Mr Brian Trubshaw, the Concorde test pilot, is chairman of the FOC, and the chairman of the FCC is the commander of experimental flying at the RAE.

The rules require that no aircraft must stray outside two demarcation lines – the crowd line, up to 150 feet to the south of the main runway where the crowd is located, and the display line, which is north of the main runway.

In a straight flypast, aircraft must fly parallel to the crowd, no lower than 100 feet.

All manoeuvres must be carried out pointing away from the crowd. Aircraft are forbidden to fly over spectators.

This week each pilot will be required to demonstrate his programme before the FCC. It can demand modifications and another rehearsal.

Any pilot deviating from his approved programme will have to answer to the committee.

The strict rules have meant few accidents at Farnborough. The only serious incident was in the early 1950s, when a de Havilland 110 experimental aircraft blew up and debris fell among the crowd.

Labour calls for establishment of patients' charter

By Tom Lynch

A PATIENTS' charter to measure the quality of hospital treatment should be established, says Mr Robin Cook, shadow Social Services Secretary, in a pamphlet published today.

Mr Cook says the Government concentrates on quantity rather than quality of treatment in hospital performance statistics.

A charter would let patients assess whether they were treated with respect as well as competence.

Mr Cook is conducting a Labour Party review of health care to be published at the same time as the Government's review of health funding.

Life Begins at 40: In Defence of the NHS, by Robin Cook. Fabian Society, 11 Dartmouth Street, London SW1H 9BN. £1.50.

Software company set to win US Army order

By Della Bradshaw

A BRITISH software company seems certain to win a significant share of a contract for one of the US Army's most sophisticated computer projects.

The project will involve the installation of up to 100,000 computer terminals on army sites throughout the US.

The two companies involved in the final stage of the bidding for the contract, Magnavox Electronics Systems and New York-based Miltope Corporation, have both selected software from Uniplex, of St Albans in Hertfordshire, as part of their bids.

Magnavox is bidding with computer hardware from Apple, and Miltope with equipment from Hewlett Packard.

The army network will use the Unix operating system, the main standard for US government computer equipment. Uniplex specialises in the supply of Unix software packages.

The terminals will be desktop or portable machines, many adapted for use in dirty or hazardous conditions. They will be linked by a series of computer networks.

The US Army is expected to announce the winner of the $600m (£353m) contract this week.

Uniplex estimates the business software revenues will be about $20m over a five-year period.

Software from Uniplex, a privately-owned British company which had a turnover of £5.3m in 1987/8, has been included in bids for 10 other projects for US Federal Departments.

Uniplex is supplying the same business software for British Telecom's office automation project, dubbed the Common Office Automation System for Telecom (COAST). There will be about 60,000 computer terminals.

Businesses For Sale

FOR SALE BY THE LIQUIDATOR P. S. DUNN FCA
In the matter of BRACKNELL ENGINEERING COMPANY LIMITED
Long established precision engineers

SPECIALISTS IN SHORT-RUN, LIGHT TO MEDIUM PRECISION ENGINEERING. EXCELLENT GOODWILL AND CUSTOMER LIST, INCLUDING MAJOR UK COMPANIES, M.O.D. ETC. FULLY EQUIPPED MODERN LEASEHOLD WORKS. SUBSTANTIAL ORDER BOOK. ANNUAL TURNOVER APPROXIMATELY £2 million.

Enquiries to be addressed to:

LEONARD CURTIS
Chartered Accountants
30 Eastbourne Terrace, London W2 6LF.
Telephone: 01-262 7700. Fax (01) 723 6059.
Ref: KPB

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS KEITH D. GOODMAN FCA AND STEPHEN D. SWADEN FCA
In the matter of POWERPRIME ENGINEERING LIMITED

OFFERS ARE INVITED FOR THE BUSINESS, ASSETS AND GOODWILL OF THE ABOVE COMPANY. AS A SERVICE COMPANY TO THE BUILDING TRADE, THEY ARE SPECIALISTS IN THE DESIGN AND INSTALLATION OF MULTI-SERVICE SYSTEMS FOR A WIDE RANGE OF BUILDINGS. CURRENT TURNOVER IS £3.5 million.

Information and Prospectus from:

LEONARD CURTIS
Chartered Accountants
30 Eastbourne Terrace, London W2 6LF.
Telephone: 01-262 7700.

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS STEPHEN D. SWADEN FCA AND KEITH D. GOODMAN FCA
In the matter of ADLARD & SON LIMITED
Printers, Binders & Typesetters

OFFERS ARE INVITED FOR THE BUSINESS AND ASSETS OF THE ABOVE COMPANY, WHO ARE PRINTERS, BINDERS AND TYPESETTERS, TRADING FROM PLANTS AT LETCHWORTH, HERTS AND LEATHERHEAD, SURREY. TURNOVER IN EXCESS OF £4,000,000 P.A.

Enquiries to be addressed to:

LEONARD CURTIS
Chartered Accountants
30 Eastbourne Terrace, London W2 6LF.
Telephone: 01-262 7700.

UNIQUE BUSINESS OPPORTUNITY

Offered for sale, an emerging company specialising in Urethane and Polymer product manufacturing; sale to include all fixtures, fittings, plant, machinery and freehold factory site.

Suit small company looking for expansion.

For further details contact (01) 486 3573

Superior Car Showroom, South Manchester, Main Road

Specialising in used executive cars. Holds twelve large cars und twelve cars outside sales area. Established 23 years, good customer loyalty, owner retiring. Business, goodwill, showroom & freehold £350,000

Principals only. Write Box F8354, Financial Times, 10 Cannon Street, London EC4P 4BY

DO YOU REQUIRE ENTRY INTO THE U.K. D.I.Y. MARKET ?
FOR SALE

LONG ESTABLISHED HIGHLY PROFITABLE PRIVATE MANUFACTURING COMPANY. T/O APPROX. £800,000 PER ANNUM.

FOR DETAILS PRINCIPALS ONLY WRITE BOX H3875, Financial Times, 10 Cannon Street, London, EC4P 4BY

OFFERS ARE INVITED FOR

A well established and profitable company engaged in the hire, sale and maintenance of forklifts.

The company has many longstanding blue chip customers and is currently expanding its rental fleet rapidly. Principals only.

Write Box H3767, Financial Times, 10 Cannon Street, London EC4P 4BY

ELECTRONICS COMPANY FOR SALE

A company in the Thames valley wishes to divest its manufacturing division. Own product ranges selling to blue chip and military customers. T/O £900k at 60% margin forecast. Would suit existing manufacturer wanting new products.

Write Box H3789, Financial Times, 10 Cannon Street, London, EC4P 4BY

FOR SALE

Small Light Engineering business manufacturing own product. Situated close to motorway (M6) in Lancashire. Good Asset Backing - Building/Equipment. Net Profit £200 K+
Price: £1 Million

Write Box H3799, Financial Times, 10 Cannon Street, London EC4P 4BY

FOOD IMPORTERS:

Close to London. Few m£ t/o p.a. Would consider the sale of a majority shareholding if offer is attractive.

Write Box H3787, Financial Times, 10 Cannon Street, London, EC4P 4BY

COMPANY FOR SALE

Food Company with patented technology in frozen food. Registered brand, patents and licensing agreements in Europe and the Middle East. Major new product also under active development.

Write Box H3797, Financial Times, 10 Cannon Street, London EC4P 4BY

ENGINEERING COMPANY EAST ANGLIA

Precision offshore engineers
Price £300,000

Write Box H3801, Financial Times, 10 Cannon Street, London, EC4P 4BY

FOR SALE

Contract Furnishing Company. Sales £650K. Profits £150K. Strong assett base. Located South East.

Write Box H3795, Financial Times, 10 Cannon Street, London EC4P 4BY

FOOD MANUFACTURING COMPANY

37,000 sq ft on 4 acres. Approval by several major customers. Projected turnover - over £2.5m. Projected profits - over £200,000. Realistic price and terms. Principals only.

Write Box H3790, Financial Times, 10 Cannon Street, London EC4P 4BY

For Sale

Metal Finishing Subsidiary of private group of companies. Established profitable business. T/O approx $2.8M.

Principals only please write to Box H3788, Financial Times, 10 Cannon Street, London, EC4P 4BY

Litho/Direct Mail company for sale, based in S.E. London. T/O £1M. Write Box H3784, Financial Times, 10 Cannon Street, London EC4P 4BY

25 Hotels, Inns, and Restaurants - Bath, Avon, Wilts, Devon, New Forest. Profitable Group - All under Management. Total package £17m. Agents: SIDNEY PHILLIPS FRICS. Tel 0961-250555.

Profitable Manufacturing Company

of C.N.C. Machine tools in the South has insufficient funds to relocate due to expiry of lease hence sale.
T/O around £500,000.
Write Box H3786, Financial Times, 10 Cannon Street, London EC4P 4BY

FOR SALE

Established financial recruitment agency operating in profitable niche. Small but excellent client base.
Principals only.
Write Box H3777, Financial Times, 10 Cannon Street, London EC4P 4BY

LIFE AND PENSIONS BROKERAGE

- Scottish based
- Comm. and fees c. £200k

Write Box H3765, Financial Times, 10 Cannon Street, London EC4P 4BY

Knight Frank & Rutley

GRADE II LISTED COUNTRY HOUSE HOTEL SET IN SOME 70 ACRES OF HIGHLY ATTRACTIVE GROUNDS AND LAKES

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PERMISSION TO CREATE AN HOTEL WITH APPROXIMATELY 40 LETTING BEDROOMS, FUNCTION AND LEISURE FACILITIES WITHIN EXISTING BUILDINGS.

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  Salutations – Emulation of Debretts Correct Form
  International Towns
  Marketing Contact Register

For further details please contact Adrienne Thomas or John Richards at:

Touche Ross
33-34 Chancery Lane, London WC2A 1EW
Telephone: 01-405 8799
Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

Composition House Limited

Computer Typesetting Specialists
Salisbury, Wiltshire

The Joint Administrative Receivers offer for sale the business and assets of Composition House Limited:

- £¾m sales p.a.
- major US market presence
- present order book in excess £200,000
- Interset front end system + Lasercomp output
- leasehold premises 8000 sq ft
- 35 employees

All enquiries to Phillip G. Porter or Anthony C. Taber, Deloitte Haskins & Sells, Wheatsheaf House, 24 Bernard Street, Southampton, SO9 1QL. Tel: (0703) 634521. Fax: (0703) 226657 Telex: 477334

Deloitte Haskins+Sells

PRINTING AND DESIGN COMPANY

The Joint Administrators offer the business and assets of EAS Print Limited for sale as a going concern.
Principal features comprise:
- Specialist in high quality printing and design work.
- Refurbished leasehold premises in Halifax.
- Turnover - year to 31 March 1988, £535,000.
- Workforce of 18 skilled and semi-skilled.
- Modern equipped studio, typesetting and reproduction department.
- Fully equipped press and finishing department.

For further details please contact the Joint Administrators: Tony Richmond or Martin Shaw.

KPMG Peat Marwick McLintock
City Square House, 7 Wellington Street, Leeds LS1 4DW.
Telephone: (0532) 450331 Fax (0532) 424377
(Authorised by the Institute of Chartered Accountants in England & Wales to carry on investment business.)

DAVID & COMPANY
SPECIALIST NURSING & HOTEL AGENTS & VALUERS
Centre Court House, 50 Alexandra Road, Wimbledon, London, SW19 7LB. Telephone: 01-879 1414 01-543 6111/2 Fax: 01-947 5665

ACUTE PRIVATE HOSPITAL - 50+ BEDS - LONDON

DAVID & CO. have been instructed to market this highly successful hospital with the utmost discretion. A newly completed conversion with 2 well equipped operating theatres. Current turnover £3.2 million per annum. Offers in excess of £6 million.
Principals only to contact: John A Kelly/Miss A Lewis

FOR SALE
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- Established Midlands Group
- Profitable going concern
- Turnover in excess of £2.2m. per annum
- First class management and workforce
- All freehold sites with potential development

Write Box H3793, Financial Times, 10 Cannon Street, London EC4P 4BY

Established profitable

London-based computerised prepress reprographic company. Excellent client base. Room for expansion. Approx 20,000 sq.ft freehold property. Price guide circa £2.5m.

Write to Box No H3786, Financial Times, 10 Cannon Street, London, EC4P 4BY

MANUFACTURING COMPANY FOR SALE

Located in West Midlands producing uPVC products
Turnover £3m. Very provitable.
Please write for details to:-
BODEN, LEIGHTON & COMPANY
Accountants Queens Chambers
61 Boldmere Road, Sutton Coalfied, B73 5XA

FOR SALE
Company located continental Europe

Manufacturer of plastic-based, decorative, homecare product sold mainly through retail outlets - DIY, builders merchants etc.
Sales (Stg) £30 million; NAV £7.5 million; Profitable

FOR SALE
PACKAGING COMPANY

Established profitable company based in South with up to date production lines and young management team operating from 30,000 square foot modern factory. Current turnover 3 million plus with substantial pre tax profits. Outstanding potential. Principals only.

Write Box H3800, Financial Times, 10 Cannon Street, London EC4P 4BY

MAJOR EXHIBITION CONTRACTOR

Internationally known, well managed, profitable and specialised Exhibition Contractor wishes to discuss with principals only, sale or merger with Public Company in related field. Strong order book. Prestigious clients, well over six figure profit and good balance sheet.

Write Box H3785, Financial Times, 10 Cannon Street, London EC4P 4BY

CAR AND VAN HIRE COMPANY

with modern freehold premises in West Midlands. Mainly contract hire and leasing approximately 130 up to date vehicles. T/O running at £400K plus P.A.

Details from Fortune & Associates, 17 Worcester Road, Malvern, Worcs. Tel (06845) 66556.

TEXTILE AND POLYMER BASED PRODUCTS

Private Group of Companies engaged in manufacturing and wholesale seek to merge with a Listed Company. Good Customer base, competent and enthusiastic management. Sales approximately £4m. Profit before tax £400,000. Cash at bank £500,000.

Write Box H3794, Financial Times, 10 Cannon Street, London EC4P 4BY

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SELLERS and BUYERS
Contact in confidence:
DIVERCO LTD.
4 Bank Street,
Worcester WR1 2EW.
Tel: 0905 22303

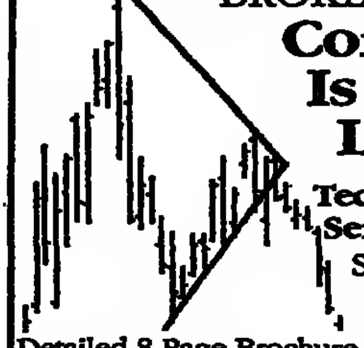
FOR SALE
MAIL ORDER COSMETIC BUSINESS

Established business develops and commissions own products. Operates on a cash with order basis; no debtors. Enjoys high re-order factor.

Situated in London, could be relocated. Turnover £600,000. Considerable growth potential in expanding niche sector.

Write Box H3776, Financial Times, 10 Cannon Street, London EC4P 4BY

DEALERS ANALYSTS
BROKERS



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Businesses Wanted

INDUSTRIAL SAFETY AND WORKWEAR

A successful importer and distributor of industrial wear wishes to expand its national coverage by acquiring companies in a similar market or in the field of industrial safety products. Companies with turnover ranging from £0.5 - £2.5 million, should be preferably profitable but turnaround would be considered.

Replies in strictest confidence.

Write Box H3796, Financial Times, 10 Cannon Street, London EC4P 4BY

We require suitable construction or building contractor, well established preferably with land bank, good management potential, turnover not less than 5m per annum. We have immediate substantial funds available. Send full details to:- I. B. Fisher, Redbarn Farm, Alstone, Nr Tewkesbury, Glocs GL20 8JD

The Better Business Centre Limited
The best businesses are available from The Better Business Centre. All types, all locations, all prices. "Profit through experience" Buying or selling contact: Bank House, 121 High Street, Crediton, EX17 3LQ Telephone: 03632 4263

Company Notices

The Republic of Panama
UA 20,000,000 8 1/4 % Bonds 1978-1993

On August 16, 1988, Bonds for the amount of UA 2,000,000 have been drawn for redemption in the presence of a Notary Public. The Bonds will be redeemable coupon No 11 and following attached on and after October 2, 1988.

The numbers of the drawn Bonds are as follows:

925 to 2035 incl.	2431 to 2480 incl.	2567 to 2579 incl.
2041 to 2115 incl.	2508 to 2512 incl.	2589 to 2604 incl.
2118 to 2217 incl.	2520 to 2566 incl.	5484 to 5624 incl.
2221 to 2423 incl.	2559	5630 to 5877 incl.

Amount outstanding: UA 14,000,000

Bonds previously drawn and not yet presented for redemption:

2750	4794	5236 to 5257 incl.
2777 to 2781 incl.	4838 to 4841 incl.	5259
2980 to 2982 incl.	4883	5263 and 5264
3053 to 3055 incl.	4901 and 4902	5302
3192 to 3195 incl.	4920	5304 to 5310 incl.
4468 and 4469	4922 to 4925 incl.	5315
4472	4934	5321 to 5326 incl.
4484 to 4486 incl.	4941 to 4947 incl.	5350 to 5355 incl.
4534 to 4536 incl.	5090 to 5093 incl.	5400 to 5405 incl.
4541	5109 to 5141 incl.	5429
4600	5154 to 5156 incl.	5431 to 5436 incl.
4605 to 4608 incl.	5159 and 5160	5473
4625 and 4626	5163 to 5172 incl.	9162
4632 to 4636 incl.	5177	9286
4707 to 4709 incl.	5226 and 5227	
4735 to 4740 incl.	5232	

Luxembourg, August 30, 1988

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

WARDLEY GLOBAL SELECTION
SICAV
2, boulevard Royal, LUXEMBOURG
R.C. LUXEMBOURG B-25087

The shareholders are advised that on Wednesday 31 August 1988 a dividend of

USD	0.18	per share of the Hong Kong Equity Fund
USD	0.17	per share of the U.K. Equity Fund
USD	0.07	per share of the U.S.A. Equity Fund
DEM	1.71	per share of the Deutsche Mark Bond Fund
ECU	7.41	per share of the ECU Bond Fund*
JPY	16	per share of the Japanese Yen Bond Fund*
GBP	0.39	per share of the Sterling Bond Fund
USD	0.23	per share of the US Dollar Bond Fund
GBP	0.16	per share of the Sterling Money Market Fund
USD	0.21	per share of the US Dollar Money Market Fund

will be paid to registered shareholders at the close of business July 29, 1988 and shares will be traded ex-dividend after July 29, 1988.

The dividend is payable to holders of bearer shares against presentation of coupon no. 1 to:

- Banque Internationale à Luxembourg, 2, boulevard Royal, 2953 LUXEMBOURG, Grand-Duchy of Luxembourg
- The Hong Kong and Shanghai Banking Corporation, 1, Queen's Road Central, HONG KONG
- The British Bank of the Middle East, London, Geneva Branch, rue du Rhône, 23, CH - 1204 GENEVA
- The Hong Kong and Shanghai Banking Corporation, P.O. Box 315, Hong Kong Branch Building, Greenville Street, St. HELIER, JERSEY

* The ECU Bond Fund and Japanese Yen Bond Fund dividends will be paid in US dollars at the rate of exchange ruling on the pay date.

The Board of Directors

Public Notices

SENNAH RUBBER COMPANY

NOTICE IS HEREBY GIVEN that Seventy-first Annual General Meeting of the Company will be held at 4 Avenue Guillaume, Luxembourg, on Tuesday 20 September 1988 at 3.30 in the afternoon to receive the Directors' Report and the Accounts for the year ended 31 December 1987; to declare a dividend; to elect Directors; to appoint Auditors and to fix their remuneration; and for the transaction of any other ordinary business of the company.

The Dividend recommended by the Board is of 40p per £1 share (gross) and, if approved at the Annual General Meeting, will be payable on 7 October 1988 to members on the register at 3.00pm on 8 September 1988.

Coupon Number 38 from share warrants to bearer must be presented, through an Authorised Depositary, to the London Paying Agents, Standard Chartered Bank Plc. Current Accounts/ Securities Department, 37 Gracechurch Street, London EC3V 0BX for payment on or after 7 October 1988, allowing three clear working days for checking. Coupons must be surrendered on special forms which can be obtained in advance from the bank. If dividends are being claimed from London Paying Agents without deduction of United Kingdom tax for non-residents, the coupons must be accompanied by affidavits.

By Order of the Board
INDUSTRIAL AND FINANCIAL SECRETARIAT LIMITED
Secretaries

St. John's House
Church Street Princes Risborough
Buckinghamshire HP17 9AA England

In order to be entitled to attend and vote at the Meeting, holders of Share Warrants to Bearer must deposit their Share Warrants not later than 11 September 1988 at the above address.

Every member entitled and vote at the above-mentioned Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him, and any such proxy need not also be a Member of the Company.

Company Notices

THE ROYAL BANK OF CANADA
US$350,000,000
Floating Rate Debentures due 2005

In accordance with the terms and conditions of the Debentures, the interest rate for the period 31st August 1988 to 30th September 1988 has been fixed at 9 1/16 per cent per annum. On 30th September, interest of US$7.03125 per US$1,000 nominal amount of the debentures will be due for payment. The rate of interest for the period commencing 30th September 1988 will be determined on 28th September 1988.

ORION ROYAL BANK LIMITED
Agent Bank and Principal Paying Agent

LEUMI INTERNATIONAL INVESTMENTS N.V.
US $20 MILLION GUARANTEED FLOATING RATE NOTES 1990
SERIES "A"
The interest rate applicable to the above Notes in respect of the six-month period commencing 30th August 1988 has been fixed at 9¼% per annum.
The interest amounting to US $46.76 per US $1,000 principal amount of the Notes will be paid on Tuesday, 28th February 1989, against presentation of coupon No.17.
BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent
bank leumi בנק לאומי

AKRANES AND BORGARFJORDUR HEATING CORP.
US$ 10,000,000 Floating Rate Notes due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period from August 30, 1988 to February 28, 1989 the Notes will carry an interest rate of 9 1/8 % per annum.

The interest payable on the relevant interest payment date, February 28, 1989 against coupon no 8. will be US$46,131.94 for each Note of US$ 1,000,000.

THE AGENT BANK
KREDIETBANK
S.A. LUXEMBOURGEOISE

BUCKINGHAMSHIRE

The Financial Times proposes to publish this survey on:

9th November 1988

For a full editorial synopsis and advertisement details, please contact:

Rachel Fiddimore
on 01-248 8000 ext 4152

or write to her at:

Bracken House
10 Cannon Street
London
EC4P 4BY

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

LUGANO - A BUSINESS CENTER

The Financial Times proposes to publish this survey on:

Monday 17th October 1988
opening day of the second LUGANO INTERNATIONAL BANKING SYMPOSIUM

For a full editorial synopsis and advertisement details, please contact:

Gunter Breitling
FINANCIAL TIMES (SWITZERLAND) LTD
15, rue du Cendrier 1201 GENEVA
Telephone: 022/311 604

or

Patricia Surridge
FINANCIAL TIMES LTD
Bracken House
10 Cannon Street
London EC4P 4BY
Telephone: 248 8000 Ext 3426

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

UK NEWS

Saucy seaside stroll to all our yesterdays

Michael Thompson-Noel brings the curtain down on a seasonal series

ALONG the front at Worthing, fairy lights gleam bravely and fairground carousels twirl against a salmon-flushed sky. Worthing is one of southern England's most genteel resorts. It is just like a time warp – as though Dunkirk happened yesterday – so that strolling along Marine Parade, towards the pier and Pavillion, I glance nervously towards France, half expecting the opal-streaked horizon to coalesce suddenly into a squadron of Messerschmitts.

Inside the Pavillion the Friday night audience has been time-machined back to a happier era where at last it feels at home – the London Blitz during the Second World War.

How marvellous the Blitz was, when bombs fell. When we all pulled together. When ordinary British people foiled Mr Hitler by trooping into bomb shelters for a sandwich and a cuddle.

Piloting the time machine inside the Pavillion is a stand-up comic, the ebullient Freddie Stuart, who is dressed like a Cockney trickster and who belongs to a dying breed, the English seaside entertainer.

Freddie is smutty. Freddie is a wide boy, a pursuer of "crumpet." You wouldn't Adam and Eve what Freddie got up to, down in the shelters, avoiding Mr Hitler. Freddie knows his business. He also knows his audience, even though he is flogging a nearly dead horse. Freddie tells us that he was born in Kent but that when the Blitz started his family evacuated him to the East End of London.

Slowly, the audience comes to life – as though the all-clear has sounded.

"The missus went to the doctor's last week. She said – I've got a cold bum and warm knees. The doctor said – the elastic's gone on your knickers . . . You've gotta laugh, haven't you?"

Many of the jokes involve dance halls or the back rows of cinemas, followed by trips down alleyways and amorous gymnastics up against a fence. Most of the jokes lack punchlines, know what I mean?

"I was dancing with this girl one night – Sheila Blige. Afterwards I took her down the alleyway . . . You've gotta laugh, haven't you?"

SUMMER BUSINESS

There is no mention of Margaret Thatcher or of Brussels or inflation or the space race or of anything that has happened since 1946. The only concession to modernity is an attack on plastic. Plastic is detested; plastic gets a laugh.

"Everything's plastic now, know what I mean? Even money's plastic. In the pub last night two geezers were playing shove Access . . . You've gotta laugh, haven't you?"

Backstage in his dressing room, after his stint, drenched by his exertions, stripped to the waist, washing in the sink, Freddie, who is 47, says that he was born in the East End and started as a comedian 14 years ago. For the past five years he has performed most of the warm-up spots for Chas & Dave, billed by the Pavillion as Britain's Favourite Cockney Duo. The summer season at Britain's seaside resorts used to be an important part of an entertainer's year. "The season used to run for 16 to 22 weeks," says Freddie. "There was lots of work. But there's almost no summer season left. People don't come to the resorts like they used to. Now I do theatre jobs, nightclubs, private functions, hotels and police clubs.

"I work all over: Worthing, Folkestone, Cardiff, Weymouth, Yarmouth, Hastings – here, there and everywhere. I'm always travelling. The geezer who books my shows never uses a map. Tonight's performance was a case of horses for courses. The audience was from yesteryear. People like that miss the old days, so that's what I give them."

Despite their seedy image, dismal investment record and loss of business to Mediterranean fun spots, Britain's resorts, though pickled in cockle juice and cobwebbed in candyfloss, still linger on. They may even be reviving.

According to one tourism chief: "There is now so much money around that many working-class families can afford one foreign holiday and then another week or two at the English seaside. And money is being invested – not so much in hotels but in upmarket self-service accommodation, luxury chalets, time-share ventures, top-class caravans and holiday centres with indoor heated swimming pools.

Freddie Stuart: a repertoire that recalls the Blitz, dance halls and back rows in the cinema

"People have got more leisure time. They're fed up with airports and sick of delays. The resorts' formula has barely changed in years, but slowly they're hitting back. More and more people are reverting to the typical seaside holiday."

Mr Archie MacMillan, the variety secretary at Equity, the actors' union, says that the summer season – plus pantomimes at Christmas – used to be of crucial importance, but that summer show employment was now about a quarter the level of a decade ago.

"Summer shows now rely on a different format. Whereas there used to be dancers, a dozen acts, big production numbers and a top-of-the-bill star, now you just get stars – or what they think of as stars – plus warm-up acts."

This hectic policy is in evidence at Worthing, where the municipal-run Pavillion, refurbished and reopened in 1982 – it seats 850 – crams an extravagant amount of action into each sensation-packed week:

Mondays – Keyboard Entertainer John Mann With Music to Suit All Tastes, plus heats of a junior talent contest; Tuesdays – Country Music Specials; Wednesdays – Britain's Number One Pianist, Russ Conway; Thursdays – All-Star Wrestling; Fridays – International Star Concerts by the likes of Ken Dodd and the Diddymen, Doris "Beyond the Grave" Collins (a clairvoyant and healer – this special farewell event was presented by Mr Rupert "Take It Off" Murdoch's *Sun* newspaper), Frankie "Mr Moonlight" Vaughan, the Ever-Popular Val Doonican, Outrageous Comedian Jimmy Jones ("Strictly Adults Only"), the Beverley Sisters ("They're Back to Sing for You Again!"), Chas & Dave, Jimmy Tarbuck, Bucks Fizz, Duncan "Chase Me!" Norvelle and the Fabulous, the Dazzling, the Ageless and Unwithering Mr Danny La Rue, who panders untiringly to that soft spot the British have for chaps who wear frocks.

On Saturdays there is ballroom dancing and on Sundays, Search for A Star, plus heats of Miss Worthing 1988. There are also musical concerts at the Assembly Hall because Worthing – no backwater – boasts its own symphony orchestra, philharmonic orchestra and philharmonic choir.

One of the biggest presenters of summer shows in Britain is Mr Peter Jay of Jay's Entertainment, a family-run company that is presenting five shows using 150 artistes in Blackpool, Scarborough and Great Yarmouth.

"It's expensive," he says. "My Blackpool Tower Circus show cost more than £500,000, but then Blackpool is excellent, Blackpool's unique. It's a very high-risk business. There is no real pattern. You've got to back hunches, study the trends. At present, TV impressionists are all the rage. You've got impressionists doing impressions of other impressionists. You could get confused. You want mixed weather, really – not so wet that people stay away from the resorts, but poor enough to get them into the shows."

Pat Tansey, a comedian in one of Mr Jay's shows, told me in Great Yarmouth that this summer he is doing 10 shows a week in three resorts: Yarmouth, Scarborough, Skegness. He stays in "pro digs" (theatrical guest houses), travels constantly and works exceptionally hard for £25,000 a year.

Back in Worthing, I leave the Pavillion and search for fish and chips. The sky is hurnt crimson. Couples are kissing, some in funny hats. There is a sharp reek of shellfish. Beer cans roll and clatter. A woman laughs excitedly underneath the pier. The carousels glitter. Gulls whirl like flak. It's quiet across the Channel. No bombs tonight. You've got to laugh, haven't you?

Black parents may seek city college

By David Thomas, Education Correspondent

BLACK PARENTS in the London borough of Brent are considering establishing a city technology college under the controversial Government initiative to improve education in the inner cities.

It would represent a propaganda coup for the CTCs, which have attracted fierce opposition from Labour-controlled areas such as Brent.

Mr Cyril Taylor, a businessman advising Mr Baker, the Education Secretary, on the scheme, said he had been approached recently by pressure groups representing black people in Brent who told him of their dissatisfaction with standards in the borough's schools. Brent has been in considerable difficulties due to the need to make budget cuts, and over alleged inefficiencies.

Mr Taylor is meeting the black representatives next month to explore their interest in establishing such a college. He was aware of some local businesses that might be prepared to back the move.

CTCs are non-fee-paying secondary schools for those with an aptitude for science and technology. They are independent of local authorities and businesses cover part of their capital cost.

Mr Baker set a target of 20 colleges when he launched the scheme in 1986. The Labour Party has castigated business response to the idea as sluggish: so far, seven colleges with firm backers and sites have been announced.

However, the Wolfson Foundation, one of Britain's best-known charitable bodies, has already decided to sponsor a CTC and this is likely to be presented by the scheme's organisers as showing that the idea is gaining acceptability.

The organisers say that 23 companies in the FT-SE 100 index have committed more than £100,000 each to CTCs.

Mr Taylor said the colleges had attracted 17 lead sponsors, who are expected to put in at least £1m each.

Each lead sponsor would be announced once it had found a firm site for its college. Mr Taylor was confident that 15 firm sites and sponsors would be unveiled by the end of the year.

The next joint announcement of a site and sponsor is likely to be in the north-east of England, Mr Taylor said. A firm sponsor has also been found for a proposed CTC in Sheffield.

However, finding a Sheffield site is likely to prove difficult because of opposition by the local council. There has been speculation that this could be overcome by siting the college on land belonging to the Sheffield Urban Development Corporation, but the organisation denied it had held any specific discussions about this.

Delayed EC order 'poses toxic threat'

By Lynton McLain

BRITAIN'S FAILURE to implement a European Community directive on the cross-frontier shipment of hazardous waste may allow Italy to dump more than 2,000 tonnes of waste in Britain, according to Friends of the Earth.

Britain is about to introduce regulations – 20 months late – to bring it into line with the EC directive. However, this will only come into effect next month, too late to affect the present cargo. Italy has also failed to implement orders bringing it in line with the EC directive.

The cargo is aboard a West German ship – the MV Karin B – heading for Britain, Friends of the Earth said yesterday. The environmentalist lobby group has sent evidence to the Department of the Environment showing that the wastes are dangerous to health and the UK environment.

The Neath port authority in Wales has already refused the vessel a berth.

The Department of the Environment said yesterday: "The vessel has about 2,000 tonnes of badly-packaged toxic industrial solvents. This suggests the drums are leaking and we would be very surprised if any harbour master allowed the ship to dock in a British port."

Britain was supposed to implement the EC directive on the trans-frontier shipment of hazardous chemical waste by January 1, 1987, but failed to do so. The directive requires importers of hazardous waste to provide authorities with information on the source and composition of waste, including the producer's identity and provisions for insurance and damage to third parties.

The Government told parliament in May that regulations to implement the directive would be introduced by July; yet none were introduced.

The Department of the Environment said yesterday that regulations to bring Britain into line with the EC directive would be introduced this week, taking effect in late September.

New regulations give disposal authorities a month to assess applications for disposing of hazardous material, compared with the three days authorities are at present given allowing more rigorous testing.

The waste aboard the MV Karin B was originally exported from Italy to an illegal dump in Nigeria, from where the Italians removed it.

Bass to spend £23m on pubs in South Wales

By Anthony Moreton, Welsh Correspondent

WELSH BREWERS, the South Wales arm of Bass, is to spend £23m on its public houses in the region, much of it in the industrial valleys.

First results of the investment will be seen tomorrow when the brewer unveils the refurbished Red Cow in Treorchy, following a £125,000 facelift. Bass is also building a £3.7m regional headquarters and depot at Ebbw Vale.

Mr Brian Blake, managing director of Welsh Brewers (East), said he saw the programme as part of its regenerative work in the area.

The Bass commitment to the valleys brings the amount to be spent on refurbishing public houses in the region to almost £40m. A month ago, Whitbread announced spending of more than £14m on its pubs, saying its campaign would create 750 jobs over three years.

The valleys have been described by Mr Peter Walker, Welsh Secretary, as having the similar problems to England's inner cities. He announced in June an increase in public and private initiatives for the valleys – an area bounded by Llanelli in the west, Pontypool in the east and Merthyr Tydfil in the north.

Mr Walker said then that two brewers would be spending £40m on works, without naming them. The brewers had been working on plans before the government initiative.

CEGB will join museum venture in North Wales

By Anthony Moreton

THE NATIONAL Museum of Wales has joined forces with the Central Electricity Generating Board in a £1m venture to establish an outstation in North Wales. It is expected to be open next summer.

The CEGB, which approached the museum, is putting up half the cost. It is to mount a permanent exhibition featuring the history of energy, with particular attention to the role of electricity.

The museum will use the building, to be called Amgueddfa'r Gogledd, the Museum of the North, to stage a permanent history of Wales and its people. It will cover the country's industry, especially its role in the 18th century industrial revolution, and social life in North Wales.

Dr David Dykes, director of the National Museum, said there would also be scope for temporary exhibitions which might come from Cardiff or elsewhere. The Museum of the North, which will be at Llanberis on Lake Padarn, "brings about something which has been very close to my heart," he said.

"It is important that the museum should have a major presence in the north. We have never had the finance to develop such a project before, but now that the CEGB is involved I hope the Museum of the North will become a major focal point in North Wales."

Footwear industry shows sign of recovery

By Alice Rawsthorn

THERE ARE signs that the British footwear industry may be starting to recover from the slump that has forced dozens of companies to close and cost thousands of jobs since last autumn.

In the past year, the industry's output has fallen sharply following a surge in footwear imports from the Far East. However, the latest statistics from the British Footwear Manufacturers' Federation show that the influx of imports fell in June for the second successive month.

In the first half of the year, the flow of footwear imports into the UK rose 4 per cent to 107m pairs, worth £417m. However, in May, imports fell by 2 per cent compared with the same month last year and in June they fell 17 per cent.

In spite of these signs, the industry is cautious about its prospects. The BFMF described the slowdown in imports as "a welcome respite," but warned that it was "far too early to celebrate."

Imports began increasing last autumn when the pound rose against the US dollar on foreign exchanges. This triggered off an influx of low-cost footwear from the Far East, where currencies are linked to the dollar.

The recent slowdown could reflect the dollar's recovery, though it tends to take several months for currency changes to affect retail purchasing patterns. Further, there are no signs of a similar slowdown in comparable sectors such as clothing.

The industry is in a fragile state. Mr Monty Sumray, chairman of the FII Group – one of the largest manufacturers – said "conditions are getting worse."

Even in June when imports fell, UK output was lower than in the same month last year. The number of shoe workers on overtime fell sharply and the number on short-time working increased.

Cuts and closures have been concentrated in the women's shoe sector, where the impact of imports has been most intense. C & J Clark, the biggest UK shoe group, recently changed at one factory from producing women's shoes to making children's shoes.

The most vulnerable companies have been the small family firms that dominate the fragmented footwear industry. However, last week Applesons of England, which made women's shoes in Leeds with a 200-strong workforce, went into receivership.

مطابقة للأصل

CONSTRUCTION CONTRACTS

A. McAlpine wins £58m works

ALFRED McALPINE CONSTRUCTION has been awarded contracts totalling more than £58m for commercial, retail and industrial work – largely in the South-East. The company has won a £16m design and build contract for further work on Harbour Exchange, in London's Docklands. Buildings Eight and Nine - eight and 10 storey office blocks - have been awarded by Charter Group Developments for completion in February 1990. This is the second major contract to be won by Alfred McAlpine, which is already constructing the £14m Six and Seven buildings on the development.

Co-operative Insurance Society has awarded Alfred McAlpine Construction a £10.5m contract for an office development in London. ECL Work is due to start this month for completion in February 1990.

Norwich Union has awarded a £7.5m contract for a multi-storey car park as part of the Bentalls redevelopment at Kingston-upon-Thames, Surrey.

Asda Stores has awarded a £19m design and build contract for a single-storey, high-bay distribution warehouse at Wigan, Lancashire. Extensive treatment of old coal mine-workings are required, prior to the construction of the structures. The warehouse will be steel framed, with an insulated roof and cladding, and will include delivery areas and cold rooms.

Whatlings Construction, part of Alfred McAlpine Construction, has won a contract for the construction of the main reinforced concrete frame and floors for a new city concert hall in Glasgow. Awarded by Bovis Management Contractors, the contract is valued at £2m.

Whatlings Foundations has been awarded piling works at the clearing centre, South Gyle, Edinburgh, for the Bank of Scotland in a £255,000 contract.

A. McAlpine builds City offices for Co-operative Insurance.

Birse builds four stores

PETER BIRSE has won over £60m worth of building and civil engineering contracts. Heading the list are retail stores in London, Barnsley, Ashton under Lyne and Scunthorpe, worth £22m.

A pre-stressed concrete bridge over British Rail and London Underground lines on the north/south route at Harringey for the London Residuary Board contributes £13.5m to the total.

Birse will construct the £10.3m Connaught Crossing swing bridge at the Royal Victoria Docks for the London Docklands Development Corporation.

Other projects include an £8m deep pumping station on pile foundations for Yorkshire Water Authority, Scarborough, and a £6.9m Meadowhall highways development (including road works and three bridges over the River Don) for the City of Sheffield.

Refurbishing Langham Hotel for Ladbroke

As part of the £50m reconstruction of the Langham Hotel, London, DRAKE & SCULL ENGINEERING, a member of the Simon Group, is responsible for the complete refurbishment and design of the mechanical, electrical and plumbing services in this 19th century hotel.

The £8m contract, for the Ladbroke Group, was awarded to Drake & Scull by Bovis Construction, and is to be completed by the summer of 1990.

Since the hotel was opened by the Prince of Wales (later King Edward VII) in June 1865, many international celebrities, statesmen and artists have passed through its doors. It ceased to operate as a hotel during World War II.

It was then taken over by the BBC until acquired in 1986 by the Ladbroke Group.

When completed, the company expects it to be the most luxurious hotel to open in the capital for a decade. It will have 415 rooms, conference and banqueting facilities and a business centre.

The original Victorian architecture is to be restored, including the facades, Palm Court and banqueting hall.

RUSH & TOMPKINS NORTHERN has secured four contracts worth £2.34m, including advanced factory units for English Industrial Estates at Tanfield Lea, Co Durham, and Berwick upon Tweed, Northumberland; and in Shildon, Co Durham, a 25,000 sq ft superstore for the North-Eastern Co-operative Society.

Middle East orders for Wimpey

Contracts totalling some £23.9m have been awarded to WIMPEYALAWI LLC in Oman and AL WIMPEY ROADS AND CONSTRUCTION (ABU DHABI).

Work has started on a £7.5m contract awarded by The Royal Guard of Oman for an officers' mess complex adjacent to Seeb Barracks. The project is for the construction of an officers' mess and accommodation blocks, civilian and ancillary accommodation together with roads, landscaping, boundary walls and recreational facilities.

Under a £5.7m contract for Oman's Ministry of Communications Wimpey Alawi will carry out road construction work, resurfacing and widening of the Buraimi carriageway. The contract also covers bridges, culverts, intersections and drainage works. The company will also upgrade 18.5km of roads in Buraimi Town, and 24 km of road between Mahadah and Buraimi.

In Abu Dhabi, Al Wimpey Roads and Construction has been awarded a £500,000 contract by the Al Ain Municipality for earthworks to retaining bunds on a water catchment area at Shwaib.

Elsewhere in Abu Dhabi, an extension to port facilities at Mina Zayed Port is being carried out under a £7.8m contract for the Emirate of Abu Dhabi, Public Works Department.

Work is due for completion in November next year and involves building a 360-metre extension with sheet-piled retaining walls to the container terminal. Included is the removal and replacement of the fendering on 640 metres of wharf face, an electrical sub-station, 800 metres of piled crane rail beam, and the dismantling of three steelwork sheds and re-erection in other areas of the port.

At the new Al Ain vegetable market in Abu Dhabi, Al Wimpey has started work on the access roads, parking areas, and ancillary external works. Valued at £2.2m, the contract is due for completion in early 1989.

Upgrading retail facilities in Reading

TURRIFF CONSTRUCTION, Warwick, has been awarded contracts worth over £24m. The major construction division has won over £13.3m including a £3.2m contract for the redevelop the W.H. Smith shop in the centre of Reading. The rebuilding contract will involve dismantling the listed Victorian half of the facade brick by brick for eventual reconstruction. When completed, the store will have a sales area of 20,000 sq ft.

The North Western region of British Gas has awarded a £3.1m contract for a two-storey office building which includes vibroflotation, ground beams, reinforced concrete ground and first floors together with an insulated metal roof and cladding.

At Milton Keynes, the Development Corporation has awarded a £2m contract for the building of 21 workshop units and 13 office units with load bearing brick and block walls incorporating support steelwork.

Contracts worth over £2.3m for the building of homes for aged and retired people have been awarded by the Grosvenor Housing Trust and the "Johnnie" Johnson Housing Trust. Both projects are in the North West with 30 flats with warden's house and communal facilities in a 2 and 3 storey block at Platts Bridge, Wigan, and the other project at Withington, Manchester, includes 31 one-person and 14 two-person flats, two two-person disabled flats, laundry, lounge, guest bedroom and one two-storey warden's flat together with lift, heating plant; all in traditional construction with drainage and site works.

Turriff's projects division has won contracts in excess of £4.8m including a £2.1m contract at Telford for Polyfina to design and build a high bay warehouse and carry out alterations to the production unit.

Moffatt Whittall, Birmingham, a Turriff subsidiary, has been awarded £3.6m of contracts, the largest being the construction of a public house for Wolverhampton and Dudley Breweries at the historic site of St Paul's Square, Birmingham.

DIARY DATES

FINANCIAL

YESTERDAY
BOARD MEETINGS
Interims:
Dead Sea Works

TODAY
BOARD MEETINGS-
Finals:
Anglo American Industrial Corp.
Bank of Nova Scotia
Border TV
Consolidated Plantations Berhad
Mhangura Copper Mines
Minerals Oils & Resources
Interims:
Bredero Prop.
Dewhirst(I.J.)
Peek
Sharpe & Fisher
Tellos Hldgs.
Tronoh Mines Malaysia Berhad
Williams Hldgs.
DIVIDEND AND INTEREST PAYMENTS-
Allen (Edgar) Balfour 7¾pc Deb 1987/92 3⅞pc
Bank of Montreal C$0.50
Chamberlain Phipps 4.1p
Cohen(A.) 10.42p
Do. "A" N-V 10.42p
Electrocomponents 3.1p
Gestetner 1p
Do. Cap 0.075p
Health Care Services 0.7p
Hill Samuel Finance BV Fltg Rate Nts 1995 $362.19
Investments NV Gtd Fltg Rate Nts "A" 1987 $38.54
London & Assoc. Inv. Tst. 0.25p
National Australia Bank Fltg Rate High Initial Spread Notes 1993 $530.57
Neste OY Fltg Rate Nts $369.01
Scantronic 1.17p
Securiguard 2.2p

TOMORROW
COMPANY MEETINGS-
Aberdeen Steak Houses, Coventry House, 21, Coventry Street, W., 10.00
Bulgin(A.F.), Bypass Road, Barking, Essex, 2.00
Cambridge Instrument, Savoy Hotel, W.C., 10.30
Hollas Group, Windsor House, Southmoor Road, Wythenshawe, Manchester, 9.30
Lister, Manningham Mills, Bradford, 12.30
Minty, Horsepath Industrial Estate, Cowley, Oxford, 10.00
Stanco Exhibition, Units 1 & 2, Blaina Wharf, East Dock Road, Newport, Gwent, 10.00
BOARD MEETINGS-
Finals:
Davis(D.Y.)
Interims:
ASEA AB
American Trust
CLF Hldgs.
Edinburgh Fund Managers
Erith
Guardian Royal Exchange
Macfarlane
Pacific Assets Trust
Pearl Group
Pentland Industries
Slough Estates
Steel Burrill Jones
Sunleigh Electronics
DIVIDEND AND INTEREST PAYMENTS
Alexander (Walter) 3.2p
Allnat London Props 10½pc 1st Mtg Deb 1994/99 5¼pc
Appletree Hldgs. 1.1p
Atkins Bros (Hosiery) 5½pc Pf 1.925p
Automated Security 5pc Red Pf 2.5p
Bankers Inv. Tst. 0.42p
Boosey & Hawkes 3p
Braithwaite 4.5p
Cater Allen Gilt Income Fd. 30p
Cater Allen Dollar Income Fd. 13cts
Chase Manhattan Corp Fltg. Rate Notes 1997 $199.65
Chelsea Man 2.1p
Chemical Banking Fltg. Rate Notes 1999 $75.05
Commerzbank O'seas Finance Fltg. Rate Notes 1989 $193.26
Daily Mail & Gen. Tst. 22p
Do. "A" 22p
Danae Inv. Tst. 3.75p
Dominion International 3p
Dowty 7pc Uns Ln 1986/91 3½pc
Ecclesiastical 13pc Deb 2018 6½pc
Eldora Nuclear Lt Fltg. Rate Notes 1989 $177.29
Evode 8pc Uns Ln 2003/08 4pc
Excalibur Jewellery 11.5pc Pf 5.75p
First Chicago O'seas Finance Gtd Fltg. Rate Notes 1994 $198.05
Foster(John) 9pc Uns Ln 1988/92 4½pc
Gibbon Lyons 7pc Red Pf 3.5p
Gresham House 3.5p
Hambro Eurobond & Money Market Fd. Ptg Red Pf (Managed Fd.) 4.7p
Do. Ptg Red Pf (Stlg Eurobond Fd.) 7p
Do. Ptg Red Pf (A$ Eurobond Fd.) A$0.40
Do. Ptg Red Pf (NZ$ Eurobond Fd.) NZ$0.75
Do. Ptg Red Pf (C$ Eurobond Fd.) C$0.0344
Do. Ptg Red Pf (Yen Eurobond Fd.) Y13.4
Do. Ptg Red Pf (D-Mark Eurobond Fd.) DM0.348
Do. Ptg Red Pf (Stlg Money Market Fd.) 33p
Do. Ptg Red Pf (US$ Money Market Fd.) [illegible]
Do. Ptg Red Pf (A$ Money Market Fd.) A$0.399
Do. Ptg Red Pf (NZ$ Money Market Fd.) NZ$0.85
Do. Ptg Red Pf (C$ Money Market Fd.) C$0.555
Do. Ptg Red Pf (Yen Money Market Fd.) Y44.6
Do. Ptg Red Pf (Cont. Euro Money Market Fd.) DM0.341
Hanover Druce 6.75pc Pf 3.375p
Italy (Republic of) Fltg. Rate Notes 2005 $75.05
Jersey Gen. Inv. Tst. 10.5p
Johnson & Firth Brown 11pc Uns Ln 1993/98 [illegible]
Kleinwort, Benson Gilt Fund 29.90p
Korea Exchange Bank Fltg. Rate Notes 1994 £100.55
Kymcorp(U.S.A.) 5pc Red Pf 3p
Lloyds Bank Prim Und Cap Fltg. Rate Notes (Ser. 2) $168.05
Do. Prim Cap Und Fltg. Rate Notes (Ser. 3) $330.69
London & Strathclyde Tst. 5pc Pf 1.75p
M.&G. Gold & General Fd. 0.35p
Mexico Fd. 9.8cts
Minty 0.8p
National Westminster Bank 9.25p
Do. 7pc Pf 2.45p
Nestor-BNA 0.9p
New Brunswick (Province of) Fltg. Rate Notes May 1994 C$23.80
Next 7pc 1st Mtg Deb 1990/91 3½pc
Do. 7⅝pc 1st Mtg. Deb 1987/92 3 13/16pc
Ogilvy 25cts
Parkfield 5p
Parkland Textile 4.2pc Pf 2.1p
Pillsbury 28cts
RPH 8pc Deb 1992/96 4pc
Do. 7⅝pc Uns Ln 1987/92 3 13/16pc
Do. 9pc Uns Ln 1999/2004 4½pc
Do. 4½pc Uns Ln 2004/09 2¼pc
Royal Bank of Canada Fltg Rate Debs 2005 $75.05
Second Market Investment 2½pc Uns Ln 1994 1¼pc
Standard Bank Imp. & Exp. Fin. Gtd Fltg. Rate Notes 1992 £100.65
TR City of London Trust 0.75p
Do. Pfd 7p
Do 6pc 1st Pf 2.1p
Do. 6pc 2nd Pf 2.1p
Temple Bar Investment Trust 6pc Uns Ln 2002 3pc
3i 8⅞pc Uns Ln 1992/97 4 7/16pc
Trans-Natal Coal Uns. Sub. Bebs. 53.975cts
Triplevest 7⅜pc Deb 1987/91 3 11/16pc
Wells Fargo Fltg Rate Sub Nts 1992 $75.40
Wormalds, Walker & Atkinson 9pc Uns Ln 1986/91 4½pc

THURSDAY SEPTEMBER 1
COMPANY MEETINGS-
Carclo Engineering, Queens Hotel, Leeds, 3.00
Joseph(Leopold), Haberdashers Hall, Staining Lane, E.C., 12.15
MS International, Royal Hotel, Wollaton Street, Nottingham, 12.00
Yale & Valor, London Press Centre, 76, Shoe Lane, E.C., 10.30
BOARD MEETINGS
Finals:
Highgate & Job
Kleinwort Benson Int. Income Bond Fund
Polytechnic Electronics
Interims:
Associated Henriques
Blackwood Hodge
Cadbury Schweppes
Church & Co.
Cooper(Alan)
Cundell
Home Counties News
Kalon Group
Lambert Howarth
Record Hldgs.
Stat-Plus
UK Paper
WPP Group
DIVIDEND AND INTEREST PAYMENTS
AMAX 5cts
Aberdeen (City of) 10.8pc Red 2011 5.4pc
Aberdeen Steak Houses 1.5p
Ahmanson(H.F.) 22cts
American Brands 55cts
American General Corp. 35cts
Asarco 20cts
Associated British Foods 5.8p
Beaverco 4p
Blacks Leisure 0.1p
Blue Circle Inds. 6pc Deb 1988/93 3pc
Do. 7pc Deb 1988/93 3½pc
British Rayphone 5.25pc Pf 2.625p
Brunteliffe Invs. 7pc Pf 2.45p
Buffalo & Lake Huron Railway 5½% 1st Mtg. Perp. Bds. 2.75pc.
Do. 5½% 2nd. Mtg. Perp. Bds. 2.75pc.
Bulgin (A. F.) & Co. 0.2p
Do. A NV 0.2p
Burndene Invs. 2p
Cambridge Instrument 0.55p
Clarke, Nicholls & Coombs 1.35p
Cook (Wm.) 3.75p
Corp of London 3½% Deb. 83/93 1.75pc.
East Surrey Water 2.8% (Fmly. 4%) Pre-Prf. 1.4p
Do. 4% Cons. Deb. Irrd. 2pc.
Do. 7% Red. Deb. 89/91 3.5pc.
Do. 7% Red. Deb. 90/92 3.5pc.
Do. 7¼% Red. Deb. 91/93 3.625pc.
Do. 10% Red. Deb. 97/99 5pc.
East Worcestershire Waterworks 7% (Fmly. 10%) Max. 35p
Do. 3.5% (Fmly. 5%) Max. 1.75p
Do. 2.8% (Fmly. 4%) 1935 Prf. 1.4p
Do. 2.8% (Fmly. 4%) 1941 Prf. 1.4p
Do. 3.85% (Fmly. 5½%) Prf. 1.925p
Electric & General Inv. Co. 9% Deb. 89/94 4.5pc.
Fleming Fledgeling Inv. Tst. 1p
Fobel Intl. 1p
Ford Motor 60cts.
Grahams Rintoul Inv. Tst. 4.2p
Ingersoll-Rand 26cts.
Intl. Income Property 26cts.
Ireland (Rep. of) 9¾% 91/96 4.875pc.
London County 2½% Cons. 1920 1.25pc.
Do. 3% Cons. 1920 1.5pc.
Low & Bonar 6% 1st Prf. 2.1p
Do. 6% 2nd Prf. 2.1p
Do. 5½% 3rd Prf. 1.925p
Lucas Inds. 6½% 1st Prf. 2.275p
M & G General Tst. 10.7p
March Group 0.84p
Mecca Leisure Group 1.75p
Metropolitan Water 3% 1.5pc.
Moorgate Inv. Tst. 4.6p
Oldham Met Borough Council 11⅛% Red. 2010 5.625pc.
P & O 3½% Deb. Perp. 1.75pc.
Do. 3½% 2nd Deb. Perp. 1.75pc.
Peugeot Talbot Motor 6½% Deb. 84/89 1.375pc.
Port of London Authority 6½% Reg. 87/90 3.25pc.
Redland 5% Prf. 2.5p
River Plate & Gen. Inv. Tst. 8% Pfd. 1.75p
Sainsbury (J.) 7¼% 1st Mtg. Deb. 87/92 3.625pc.
Salford Corp. 5½% Red. 86/88 2.75pc.
Schroders (C.) & Son. 6% Red. Prf. 2000 2.1p
Scottish Agric. Sec. Corp. 5½% Deb. 86/88 2.75pc.
Spillers 7¼% Deb. 84/89 3.625pc.
Stakis Metalcraft 2p
Sterling Publishing Group 3.3p
Stonehill Hldgs. 10½% Prf. 5.25pc.
Tarmac 5½% Deb. 85/90 2.75pc.
Do. 7% Deb. 89/94 3.375pc.
Do. 7¼% Deb. 92/97 3.375pc.
Tendring Hundred Waterworks 3½% (Fmly. 5%) Max. 17.5p
Do. 3.5% (Fmly. 5%) Max. 28p
Do. 4.2% (Fmly. 6%) Prf. 1.4p
Do. 4.2% (Fmly. 6%) Prf. 21p
Do. 5.6% (Fmly. 8%) Max. Prf. 28p
Texas Eastern Corp. 85cts.
Transcanada Pipelines 16½% 1st Mtg. Bds. 2007 8.25pc.
Treasury 14½% Ln. 1994 7.25pc.
Do. 8¾% Ln. 1997 4.375pc.
Do. 8½% Ln. 1997 C [illegible]
Union Carbide Corp. 20cts.
Union Discount Co. of London 11.5p
United Mexican States 16½% Ln. 2008 (Reg.) 8.25pc.
West Kent Water 3½% (Fmly. 5%) Cons. 1.75p
Do. 2.8% (Fmly. 4%) Prf. 1.4p
Do. 3.15% (Fmly. 4½%) Red. Prf. 1.575p
Witan Inv. 8% Deb. 96/99 4pc.

FRIDAY SEPTEMBER 2
COMPANY MEETINGS-
Baxley, Centre Point, New Oxford Street, W.C., 12.00
Drummond Group, Norfolk Gardens Hotel, Bradford, 12.00
First Technology, Fleet Mill, Minley Road, Fleet, Hampshire, 10.00
Russell(Alexander), Royal Scottish Automobile Club, 11, Blythswood Square, Glasgow, 12.00
BOARD MEETINGS
Interims:
Moss O'Ferrall
Porvair
Rue Estates
DIVIDEND & INTEREST PAYMENTS-
Anglo & Overseas Tst. 1.35p
Carclo Eng. Group 3.6p
Consolidated Do. Bultfontein Mine 4.5cts.
Creighton Labs. 4p
Doctus 0.5p
Gillette 21½cts.
Inco 20cts.
M & O Dual Tst. 20.2p
Microsystems Group 1.15p
Sturge Hldgs. 3.25p
Triplex Lloyd 3.25p

SATURDAY SEPTEMBER 3
DIVIDEND & INTEREST PAYMENTS-
Conversion 9% 2000 4.5pc.
Joseph (Leopold) Hldgs. 11.571p

Trade Fairs and Exhibitions: UK

Current
International Menswear Fair – MAB (01-437 8754)(until August 31)
Earls Court

September 11-14
Gifts West (01-637 2400)
Bristol Exhibition Centre

September 16-24
British Marine Industries Federation International Boat Show(0703 737400)
Southampton

September 25-27
International Garden and Leisure Exhibition - GLEE (01-390 2211)
NEC, Birmingham

September 27-29
Water and Enviroomental Management Exhibition and Conference (01-637 2400)
Eastbourne

September 27-29
City of London Wine Fair (01-638 4141)
Barbican, London EC2

September 28-30
National Finanee Directors Exhibition and Conference (01-837 1133)
Bnsiness Design Centre, London

October 2-4
International Flower Trades Exhibition - IFTEX (01-486 1951)
Alexandra Palace, London

Overseas Exhibitions

August 30-September 1
Traffic Engineering and Road Safety Exhibition - TRAFFEX (01-636 3956)
Brussels

September 1-6
International Machinery, Factory Automation & Electronic Technical Exhibition - MECT-ASIA (0494 729406)
Taipei

September 4-10
Internatiooal Antumn Fair (0375 392222)
Leipzig

September 4-8
Crystalware,China, Ceramics, Jewellery, Gifts and Furnishing Articles Exhibition - EURO-PACADO (01-434 1825)
Frankfurt

September 6-10
Building and Construction Exhibition - CONBUILD (021-454 3385)
Sydney

September 7-9
International Autumn Fair (01-977 4551)
Vienna

September 11-18
International Autumn Fair (Zagreb 41/511-666)
Zagreb

September 13-18
Internstional Motor Car Workshop, Service Station Equipment and Auto Spare Parts and Accessories Trade Fair (01-734 0543)

Business and management conferences

August 30,31 and September 1
Financial Times Confrences: Commercial aviation to the end of the century – Expansion in an era of accelerating change (01-925 2323)
Hotel Inter-Continental, London

September 8-9
CBI: Increasing your sales to the Ministry of Defence (01-379 7400)
Centre Point, London WC1

September 8-9
The Industrial Society: Industrial relations for new managers (01-262 2401)
Central London

September 9
Channel Tunnel Conference: Channel Tunnel - make it your business (0904 653655)
Viking Hotel, York

September 12
The Economist: 1992 – The implications for marketing, advertising and the media (01-839 7000)
Marriott Hotel, London

September 12
CBI/Marketing Society: Mastering the market (01-379 7400)
Centre Point, London WC1

September 13
CBI Conferences: European standards – Who needs them? (01-379 7400)
Centre Point, London WC1

September 14-15
Employment Research Unit annual conference : New forms of ownership – management and employment (0222-42588)
Cardiff Business School

September 16
The Industrial Society: Harmonisation – A one-day seminar to examine the principles and practice of harmonising terms and conditions of employment (01-839 4300)
3 Carlton House Terrace, London SW1

September 16
Hawksmere: Insurance aspects of property investment and development (01-824 8257)
London Press Centre

September 19,20,21
The FT City seminar (01-925 2323)
Plaisterers Hall, London EC2

September 20
CBI Conferences: Your annual report (01-379 7400)
Centre Point, London

September 21-23
International Chamber of Commerce: Investing for growth - opportunities in worldwide deregulstion trends (Paris (1) 45.62.34.56)
Istanbul

September 22-23
The Institute of Chartered Accountants: The 1988 Industrial Tax Conference (0908 668833)
Holiday Inn, Leicester

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

APPOINTMENTS

Girobank quality chief

■ GIROBANK has appointed Mr Gordon Henderson as head of corporate quality to direct the bank's total quality management strategy.

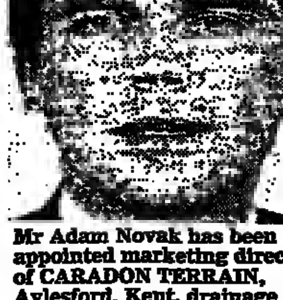
■ IRON TRADES INSURANCE GROUP has made the following appointments from September 1: Mr Brian Connell, assistant general manager - commercial underwriting; Mr Anthony C. Cushing, assistant general manager - group planning and control; Mr Joseph M. Hovey, chief accountant; Mr Nicholas T. Michaelides, planning and control manager; Mr David Shillaker, systems manager; Mr Ashton West, commercial claims manager; and Mr Ian Dalgarno, manager, south east region administration.

■ AIR-INDIA has appointed Mr Raj Kumar Kaul as manager - London. He was manager - Bombay Airport (cargo), and has been with the airline since 1960.

■ From October 1 Mr Nigel Gilson becomes group managing director and chief operating officer of B. ELLIOTT. He was a main board director with Metal Box responsible for beverage and European packaging operations.

■ Mr Barry Newton has been appointed director of professional services, and Mr Ron Orme becomes sales director of MEGA, Surbiton Surrey, software specialist. Mr Newton was international business systems and information manager at Prime Computer. Mr Orme was manager of the commercial division of Comshare.

■ KING WILKINSON, Middlesbrough, has appointed Mr Christopher Watkins as managing director of King Wilkinson Saudi Arabia, a joint venture company with Yusuf Bin Ahmed Kanoo. He was technical director.



Mr Adam Novak has been appointed marketing director of CARADON TERRAIN, Aylesford, Kent, drainage systems manufacturer, a subsidiary of Caradon. He was with Johnson Wax.

■ ORGANISED OFFICE DESIGNS has appointed Mr Roy Rose as marketing and business development director, a new post. He was marketing and design director of Vickers furniture.

MANAGEMENT: Small Business

WEST GERMAN START-UPS AND FAILURES

	Starts	Failures	Change
1974	135,000	146,000	-11,000
1977	154,000	147,000	+7,000
1980	178,000	135,000	+43,000
1983	297,000	235,000	+62,000
1985	299,000	265,000	+34,000
1987	295,000	249,000	+46,000

Source: Institute for Small business Research, Bonn

Entrepreneurialism in West Germany

Breaking free of the restraints of caution

Andrew Fisher continues a series on the country's economic strengths and weaknesses by reporting increased enthusiasm for setting up in business

Hermann Kronseder (left) and his son Volker: "It looks good it tastes better"

Hermann Kronseder picks up a bottle of local Thurn und Taxis beer and points to the shiny foil round the neck. "It took 10 years to develop this," says the former Messerschmitt aircraft apprentice, about an automatic process made only by Krones, the company he founded near the attractive Bavarian town of Regensburg. "In the 1950s, only one German brewery had this foil – Löwenbräu in Munich. It had to be put on by hand and it was expensive."

Now, he says, the silver- or gold-looking neck is a must for breweries with upmarket beers – "it looks good, it tastes better." The aluminium foil labels can be slapped on at the rate of 21 a second.

Since setting up Krones 37 years ago, Kronseder, a forceful 64 year-old, has built it into the world's leading producer of bottle-labelling machinery, with a strong market presence in filling, inspection, and sealing equipment. Like many other successful German entrepreneurs, he has thrived by anticipating customers' tastes rather than following market trends. The foil application process gave Krones a boost in the 1960s, when it was still struggling to build up sales.

'... people tend to think twice before getting excited by new ideas.'

In 1968, Krones started up in the US. Before beginning to manufacture, however, it concentrated on training and on establishing a service back-up. It took several years for this move to pay off. Now, as well as the numerous German brewers, its customers include the big American and Japanese beer producers. It also has an operation in Brazil.

Companies like Krones and men like Kronseder come from the so-called Mittelstand, a word which, according to the dictionary, means middle class but the general meaning of which is independent small- and medium-sized business. The Mittelstand is considered to be Germany's industrial backbone. While big concerns like Daimler-Benz, Siemens and others are better known internationally, aggressive and innovatory companies like Krones have carved out leading positions in niche markets.

Today, when the German economy is growing at a respectable but hardly exhilarating pace, attention is often focused on the structural and strategic efforts of the big companies. Where, ask some critics plaintively, are the successors to entrepreneurs like Max Grundig, who built up a consumer electrical products empire after the last war, and Heinz Nixdorf, who later did the same in computer systems? And if they are not there, why not?

There are several answers. First, it is true that there are no modern equivalents of Grundig and Nixdorf, or of European businessmen like Sir James Hanson, Carlo de Benedetti, or Alan Sugar. One reason is Germany's solid business structure, in which unfriendly takeovers are unknown, banks play a strong background role, the emphasis is on long- rather than short-term performance, and maverick personalities are distrusted.

But also, says Thomas Matzen, head of the German management buy-out operation of Schroders merchant bank of the UK, the post-1945 environment has changed. Starting businesses in the 1940s and 1950s required people "with real entrepreneurship, very high personal commitment, and dedication." They had to accept considerable risks. Enthusiastic and loyal managers and workforces were also vital. "Building up the German economy again after 1945 generated a certain spirit among entrepreneurs and their associates."

Times have changed and people have become prosperous. But the upheavals of war, inflation, and depression have left their mark. "In Germany," Matzen points out, "there are hardly any families which did not lose all or significant parts of their property at least twice during the past 70 years." So "people tend to think twice before getting excited by new ideas."

Yet in the Mittelstand, the host of successful companies adds up to a powerful economic force. At this level, individualists abound. "Our economy is structured around the Mittelstand where there are plenty of Nixdorfs," says Alfred Herrhausen, chairman of Deutsche Bank.

"They are not mentioned in the newspapers every day because they don't operate in such a spectacular way. But they are there and I think one criterion for the health of the German economy is the fact that we have this Mittelstand structure. Companies are adaptable and close to their markets."

Ironically, Nixdorf Computer, now headed by Klaus Luft after the death of its founder more than two years ago, is going through a slack profits period. Stiff competition and rising costs have cramped its growth. As for Grundig, it is now being run profitably by Philips of the Netherlands – after being put through a severe course of treatment – after it ran into serious problems in the late 1970s.

Both examples show the growth-inhibiting strains that develop once a certain size has been reached. "Reaction times in the Mittelstand sector are incomparably better than in the big groups," says Fritz Lackmann, a business consultant on the supervisory board of Bijou Brigitte, a fast-growing fashion jewellery maker and retailer based in Hamburg.

Friedrich Werner, the 45 year-old founder and head of Bijou, began his business at the age of 21 when he was stuck with some sample plastic necklaces from Hong Kong. "My friend got cold feet and I had to start with a small suitcase." Today, the company has 80 shops throughout Germany, is adding to its manufacturing and warehouse facilities in Hamburg, and aims to expand both in and outside the country.

"We had to create this market ourselves," says Werner, whose company's product range includes ear-rings, belts, brooches, and other accessories which retail for between 98 pfennigs (30p) and DM 200 (£62). "It is not the teenies who are our biggest public, but fashion-conscious women of between 20 and 60 years old. We are taking advantage of the preference for more relaxed styles of dressing."

With his black Jaguar parked outside his new office building, Werner personifies the self-made, free-wheeling entrepreneur willing to take off new directions. He is in an area where markets can change and competition can intensify, especially from big store groups. However, he adds: "We can change production overnight. If the demand is suddenly for red belts, we can drop the black ones. In the retail and fashion field rapid reaction times are important."

Speed of reaction is what prompted a company in a very different area, Schneider Rundfunkwerke, to start making its own personal computers this year after ending its association with Amstrad, the UK company led by Alan Sugar. Like Krones and Bijou Brigitte, Schneider is a fairly young company. But it has outgrown the Mittelstand phase, with turnover last year of DM 720m ($390m); its aim is for DM 1bn next year or in 1990. Krones should reach DM 350m this year after DM 297m in 1987, while the smaller Bijou is in line for at least DM 45m against DM 34m. All three have a minority of shares quoted on the stock market.

Bernhard Schneider, 53, stresses that the company he controls with his brother Albert is not out for growth at any price. "Alan Sugar is a phenomenon," he says of the Amstrad founder. "He has achieved much greater growth than we have. We have a high respect for him

But, as Germans have an inclination to make things, Schneider does not just want to sell-products from the Far East under its own name. Unlike Sugar, "we are more oriented to our own production. We want to build up development and production know-how." Schneider, based in south-west Bavaria, began as a furniture company, branching out into audio when the electronics firm for which it made casings went bankrupt in the early 1970s.

It only began making its own computers this year, though it still imports the monitors and disks. Schneider aims to match Asian costs by being highly automated while gaining valuable time to react to trends by having its development and production in-house. And for Germany, he says, "it makes sense in the long term not to let everything wander abroad," noting that much capacity – for example, in precision instruments and optical products – has gone.

As well as taking the risk of manufacturing its own computers – output should soon exceed 20,000 a month – Schneider has also bought half of Dual, the ailing German record player company, from Thomson of France in a bid to restore its fortunes and use its capacity. It intends to buy the other half this year. Stressing the flexibility of Mittelstand companies, Schneider is optimistic about the company's ability to perform in Europe's post-1992 environment. "It's not only the big who swallow the small, but the fast who beat the slow."

These days, more and more Germans are forsaking the cosiness of secure employment to start their own businesses. In the last 10 years, the number of start-ups has nearly doubled. It totalled 295,000 last year, outnumbering liquidations by over 46,000 compared with a balance of only 7,000 in 1977; in the early 1970s, liquidations had the upper hand.

Most start-ups, though, are in traditional sectors with stagnating markets; half are in services, 10 per cent each in manufacturing and construction, and the rest in trade. "The number of industrial start-ups is unsatisfactory," says Horst Albach, an economics professor and former head of the Institute for Small Company (Mittelstand) Research in Bonn.

While the readiness to form new companies is on the increase, "the willingness to take risks is less marked." Around 30 per cent of start-ups fail in the first few years, mostly because their products or service lacked originality.

Undoubtedly, the freer business climate promoted by the centre-right coalition government of Chancellor Helmut Kohl has stimulated new businesses. But criticism is still rife that the Government has not done enough to break down bureaucratic rigidity, to deregulate and privatise industry, to lower taxes to levels of those abroad, and cut subsidies to unprofitable sectors like agriculture.

Yet despite the slowness of structural change, the German economy has performed better than expected this year, though there are doubts about 1989. Helped by the weakness of the D-mark, exports have continued to boom. The big chemical groups have shown impressive profits growth. Even Siemens, the electrical and electronics group which cut its dividend a year ago, is back on a gentle upward path.

Without Siemens' capacity in memory chips, Schneider would not have been able to obtain supplies for its new computers so readily, says Bernhard Schneider. In fact, the willingness of German concerns to invest in the future is often at the expense of short-term profits. Schneider itself will show little or no growth this year because of the switch to its own computer production.

Krones' earnings dropped in 1986, as it reorganised output between its plants. This year, Krones is forging ahead again after a turnround in 1987. "One reason for our growth is the high quality demands of German breweries," says Volker Kronseder, the chairman's son and personnel manager.

From the start, his father visited customers regularly to assess their needs. Now, the slowest Krones machine – all have a high electronics content – can label 3,000 bottles an hour, with the fastest doing 80,000. Altogether, the company has some 600 patents, with innovations often stemming from its highly skilled workforce.

For a company like Krones to stay ahead, constant investment is necessary, whether in new machinery, an extensive service network, or training. The best German companies stress all three.

While US companies tend to be stronger in marketing and design, Germans are often better at developing and applying technologies, says Jonathan Fleming, a vice-president of TVM Techno Venture Management, a venture capital firm with German and foreign partners. "This long term orientation is an advantage in markets where you're not penalised for not moving fast enough."

But whether the perspective is long- or short-term, however, what counts in the end is drive and the desire to make money. Nixdorf's Luft reckons Germany has some way to go in these areas. "The issue is not how many millionaires there are, but how many want to become one. The dream to be a millionaire is not yet as widespread as in the US."

FRANCHISING

The Financial Times proposes to publish this survey on:

Saturday 24th September

For a full editorial synopsis and advertisement details, please contact:

Jacqueline Keegan on 01-248 8000 ext 3740

or write to her at:

Bracken House, 10 Cannon Street
London EC4P 4BY

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Janice Cairns and Malcolm Donnelly in Tosca Alastair Muir

ENO season starts with a whimper

Max Loppert and **Richard Fairman** are disappointed by a poor show at the Coliseum

Last Friday the Coliseum opened its doors for the 1988-89 season. Since one has every confidence that the company will reach and maintain its usual high standards during the coming months, the revival of David Pountney's dire *Carmen* production (first seen in 1986) can be passed over with as little ceremony as possible, if not actually in silence.

On a second viewing it seems more of a quaint costume drama than ever, in its modernized posturing, and with its used-car-lot imagery and gum-chewing on all sides – more, certainly, than even the most hackneyed "big house" *Carmen*! Almost the only point of theatrical interest about this tacky, ill-thought-through, ineptly staged affair is how and why a producer like Pountney, capable of genuine musico-dramatic revelation, could want to dull and deaden the opera this way. This will surely prove to have been the low point of his ENO career.

In purely musical terms, however, the show has improved a great deal since that crashingly heavy 1986 first night. The new conductor, Yan Pascal Tortelier (house debut), finds suppleness in rhythms and against all the odds brings to the score an authentic French elegance. Neither physically nor in terms of timbre is Jean Rigby a natural Carmen, but the voice is smooth and beautiful (except when she strains for notes above F). Sergey Leiferkus has a whale of a time as Pountney's Escamillo-as-Elvis, and though the ripe Russo-English adds its own touch of unintended comedy to the opera's problems, the singing is vital and sharp-cut.

Best of all, Jacque Trussel almost pierces the production's never-never-land air with his intensely physical José, heart-breaking in decline and eloquently sung. Altogether, though, it is sad to see such a fine cast so cruelly wasted.

For ENO to follow what is arguably the most unsatisfactory production of the company's history with another that is fatally devoid of any genuine dramatic force is a strange, and not very inspiring way to start the season, writes *Richard Fairman*. The strength of opera at the London Coliseum is that a performance can work as a totality even if individual excellences are wanting, but in Saturday night's revival of *Tosca* it was the overall direction that had laid a dead hand on the proceedings.

The set for Jonathan Miller's production of the Puccini, with its constant 45-degree tilt to starboard, is so bizarre that one feels at curtain-up the director must be intending to present the work in an extreme and very individual light. But as the evening progresses the main impression that is conveyed is of relationships half-heartedly drawn, and a luke-warm contact with the atmosphere of an opera that needs to be felt, and communicated, at white heat. Of the dramatic excitement that Opera North brought to their *Tosca*, there was not a spark.

On another occasion one might find more to admire in Malcolm Donnelly's gruff and rather ineffectual Godfather-like Scarpia, or Paul Daniel's intermitteotly active direction from the pit. Both had some good moments to offer, as did Edmund Barham in his ringing cries of "Vittoria" though he, too, falls short of the ideal requirements of a Cavaradossi, because the voice lacks Italian warmth lower down.

From these general criticisms, however, the Tosca of Janice Cairos should be excepted, for in her seemed to be concentrated all the electricity that was missing in the air around her. This was a fine solo performance, sung on the right scale and acted with an unstinting intensity. During the rest concentration was apt to wander, and in *Tosca*, of all operas, that means something is decidedly wrong.

Jean Rigby as Carmen Alastair Muir

Earl acquires the fine art of souvenir hunting

Susan Moore visits Burghley's summer exhibition

THE SUMMER exhibition at Burghley House, Stanford (until October 9), has achieved a quite remarkable feat. Ostensibly, its focus was John Cecil, the fifth "travelling Earl" of Exeter (1648-1700), who undertook no fewer than four Continental tours some 50 years before the Grand Tour came to be considered an essential part of a gentleman's education.

On display is a selection of the hundreds of works of art, furnishings and souvenirs that he brought back from France and Italy.

His 17th-century Italian paintings were said to "infinitely exceed all that can be seen in England," and would grace any national gallery of art.

Presented alongside are some of the lavish textiles, tapestries, furniture and silver that provided their setting. Burghley's Elizabethan interiors were transformed into those befitting a baroque palace.

What the display manages to convey is a sense of how a house such as Burghley was brought into being. It is all too easy to see an historic house as a *fait accompli* and not as the fruit of the ambitions, schemes and skills of successive generations.

In this modest exhibition, it is not the sumptuous *objets d'art* that blow away the dust of 300 years so much as the breath of the faded 17th-century accounts and inventories.

Lord Exeter might have lacked John Evelyn's compulsion to record his travels in diary form but he did have Culpepper Tanner, his steward.

Tanner recorded meticulously everything that was spent for the four journeys. It might be a Carlo Maratta canvas (600 crowns), straw for the 30 or so horses, or linen for the pet dog, Towser.

The progression and incident of the earl's unwieldy entourage of family, chaplain, servants and soldiers can therefore be pieced together.

Transport costs, racing bets, sales of surplus English woollen clothes and pots and pans are all recorded. There are also notes of payments to fans to look after sick servants – Culpepper himself contracted pneumonia – or for wine, no less, in which to bathe lame horses.

All the while, letters and fabric samples are passing across the Channel concerning the army of French, Italian and native craftsmen – Verrio, Laguerre, Tijou, Grinling Gibbons – at work in the house (little wonder the family escaped).

Thomas Stretch (and what more appropriate name for a tradesman-upholsterer) sends details of room measurements for hangings and for paintings for mantels. Lord Exeter instructs that payment be made to Jean Jans, manager of the Gobelins tapestry workshop, and the chaplain asks for his favourite cheese.

The inventory drawn up in 1688 reveals exactly what is in the house at that date, and where.

How compelling it is to discover that only the female figures from a set of eight exquisitely carved classical boxwood statues bought in Italy should be kept in milady's dressing room and closet.

It is not the objets d'art that blow away the dust of 300 years so much as the faded 17th century accounts and inventories

How strange that the house contained as much Japanese porcelain as it did Chinese blue and white, the latter piled high on Dutch-style stepped corner chimney-pieces.

Only recently was the ivory model after Bernini's Daphne and Apollo, bought for 50 crowns in 1684 and recorded in milady's closet, discovered at the back of a broken china cupboard, having gone astray in the 19th century.

It seems hard to decide who is the hero of the piece, Culpepper Tanner or the cheerfully extravagant earl. In fact, the accolade must go to Lord Exeter's wife, Lady Anne Cavendish, who enriched Burghley by bringing a number of works of art from Chatsworth on her marriage. Unusually, she seems also to have been as responsible as her husband for choosing the furnishings and decoration of the house.

On his death in France (from a surfeit of fruit, not lampreys) her personal debts of an impressive £8,000 almost equalled his own. A pair of English single sconces, the finest and most elaborate the period could produce, probably mark what proved to be an exceptionally successful union.

The spirited countess accompanied her husband on all his travels, undergoing the discomfort of overland travel and life under canvas that most 17th-century ladies of quality would never have considered.

Looking around the exhibition, you wonder who was responsible for acquiring the gloriously unfaded Mortlake tapestry or the rare pewter and Boulle writing desk, one of many pieces made by Gerrett Jensen, cabinet-maker to the English royal household.

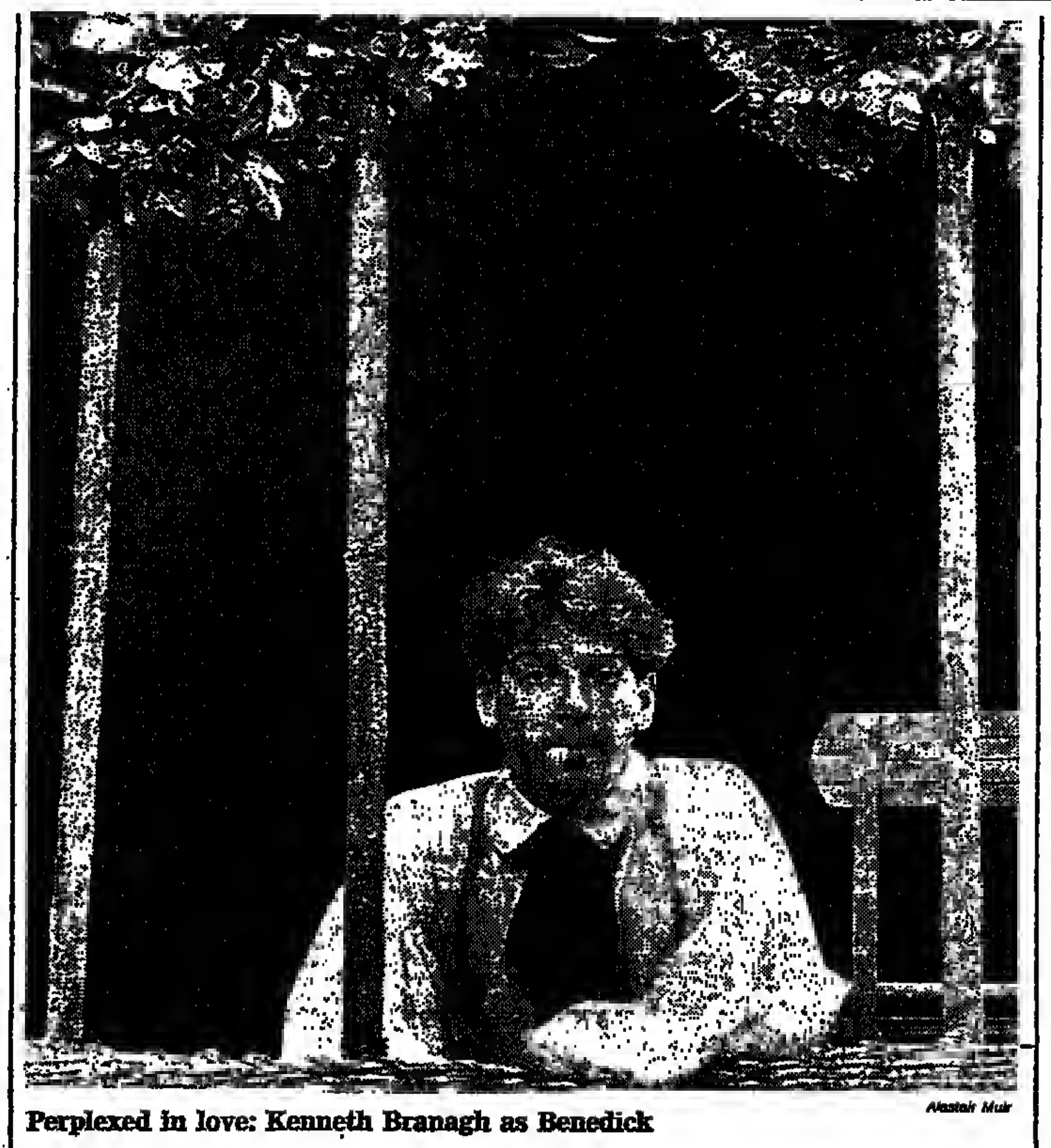
Who ordered the suite of marquetry furniture made by Louis XIV's cabinetmaker, Pierre Golé? Who most desired the pair of marble portrait busts commissioned from Monnot, the foremost baroque sculptor in Rome, in 1699? The severe classicising of the bust of Lord Exeter is unusual at that date and suggests that he chose to be represented with the armour and cropped hair of a Roman Republican.

The grandest cabinet on display, decorated richly with birds and flowers inlaid in hardstones and mother-of-pearl, came as a gift from Cosimo III, Grand Duke of Tuscany.

Antonio Verrio's sketch for the east wall of the Heaven Room at Burghley comes close to the end of the display, accompanied by a fascinating list of the materials and colours needed for his vast *trompe l'oeuil* – and one of many bills from the long-suffering Stanford cobbler.

As well as being the scourge of both the maid's quarters at Burghley and the watering holes of the town for over a decade, it transpires that the fiery Bolognese was also a shoe fetishist: one more bizarre detail that art history relates rarely.

By far the best testimonial to the taste and acquisitiveness of the fifth Earl and Countess of Exeter is the house itself. Those who can face first poring over the accounts in the exhibition will be rewarded by a feast of appetising *hors d'oeuvres*.



Perplexed in love: Kenneth Branagh as Benedick Alastair Muir

Much Ado About Nothing

PHOENIX

Kenneth Branagh's Renaissance Theatre Company sweeps into the West End after a triumphal round-Britain trip with the first of a three-play Shakespeare repertoire that casts Judi Dench, Geraldine McEwan and Derek Jacobi as directors for the first time.

Dench's treatment of *Much Ado About Nothing* is fine and flowing, with an early tartness that sours with Claudio's rejection of Hero – a cruelty that leaves Tam Hoskyns open-mouthed with the unseemly inarticulacy of extreme grief – before mellowing into reconciliation.

It is very much an actors' production which takes its life from the quality and commitment of a cast led by Branagh himself as a Benedick whose valiantly feigned mysogyny never quite conceals the fact that he is, at heart, a second-rate sonneteer. There is a warmth about Branagh's sparring and a breadth to his humour that finds a delicious foil in Samantha Bond's cut-crystal delivery of slights that have seldom seemed so slighting.

The Austenesque setting and costumes merely underline that here is a Shakespearean heroine who could equally hail from the pages of *Pride and Prejudice*. Yet she too has a kindness which emerges through the subtlest inflections in her rejection of Don Pedro's suit: a discreet softening of tone signals that for once a compliment is not only well-turned but heartfelt.

For a moment honour hangs above the ardently upturned eyes of Richard Clifford's spurned aristocrat, and in a moment it is returned to him. The poise and respectfulness of the moment reinforce the callow cruelty of James Larkin's Claudio, whose passions are from the start hoyish and intemperate.

It is in the intricacy of such interchanges that the production strikes most forcefully and, incidentally, where it raises the most laughs. The broad humour of the constables is a little creaky in the joints, albeit led with a virulent bristling of malapropisms by David Lloyd Meredith's sturdy Welsh Dogberry. In such as Sophie Thompson's skittish maidservant Margaret and Shaun Prendergast's stiff little sqeaky-voiced Don John lies a less obvious, more integrated humour and it is this that finally carries the day.

Claire Armitstead

Miseria e Nobiltà

EDINBURGH FESTIVAL

In the sunshine that heralded the final week of the dowdiest festival in its history, Edinburgh's streets looked more inviting than the cultural offerings indoors. The junk stalls in the Grassmarket were more enticing than anything scavenged by Frank Dunlop. The superb cafeteria in the Royal Scottish Academy is more noteworthy than stale frissons from yesterday's iconoclasts.

There is nothing like international culture for narrowing the mind, and the Gallery's Pietro Longhi exhibition makes one realise how great Hogarth was. Continuing the Festival's Italian theme, the Lyceum is playing host to the Neapolitan theatre company of Mario Scarpetta. *Miseria e Nobiltà (Rich Man, Poor Man)* is a farce by the actor-director's great-grandfather, Eduardo Scarpetta. Stylistically, this robust comedy of impersonation and social clangers is best described as a comic opera without music. First performed in 1888, it nevertheless cries out for Donizetti to set the absurd nouveau riche chef to *buffo* patter as he waddles excitedly round in an ill-fitting wig, thrilled at the prospect of a noble marriage for his daughter.

The aristocrats who arrive to give their supercilious consent are, in fact, a family of starving down-and-outs, hired by the noble suitor to impersonate his disapproving relations. There follows a comedy of mocked snobbery and social clumsiness familiar from *Cinderella* to *Pygmalion*.

Scarpetta's production is a stilted descendant of Neapolitan physical clowning, and consists mainly in standing or sitting the actors in a row, while they communicate in shouts, and adding the occasional comic set-piece complete with funny walks and malapropisms (neatly conveyed in the simultaneous translation). Our own pantomime traditioo looms close, especially in the backcloths with kitchen utensils and furniture painted on them. Some high-minded colleagues have seen social significance in the depiction of poverty, but these cheery puppets are to sociology what *Charley's Aunt* is to counselling for transvestites.

In the farrago of improbable coincidences and ponderous whimsicality only one serious thought is prompted. The chief comic's mistress of six years is eventually stranded, an object of obloquy, while he, reunited with his long-lost wife, is depicted as a lovable rapscallion. The note of Latin male chauvinism souods complacently oo our ear. The much-courted heroine is surely the most strapping ballerina ever to emerge, even from Sophia Loren's hometown. The acting style echoes our *Carry On* films, without the innuendos or, alas, the vitality. The overall tone of noisy self-congratulatioo confirms my suspicioo that the Neapolitans are the Merseysiders of Italy.

* * *

Ray Stricklyn's one-man show on Tennessee Williams, *Confessions of a Nightingale*, has enjoyed success across the Atlantic, which presumably secured its place in the official Festival. A sleoder 19-minutes' worth of rambling anecdote in St Cecilia's Hall, it struck me as better-suited to the fringe.

Together with Charlotte Chandler, Mr Stricklyn has compiled this monologue from Ms Chandler's conversations with Williams. He looks too tall, has too much hair, but weaves his way convincingly on stage with glass clutched firmly in hand.

Mr Stricklyn's impression of a maundering conversationalist is almost tiresomely plausible. There is little material that Williams' fans will not already know, from writing dialogue for an uncomprehending Lana Turner in Hollywood to the bingeing 1960s.

The show accurately portrays Williams' lugubrious obsessions. "You wanna know what loneliness is?" he demands, and, like Pilate, will not wait for an answer before telling us. Glimpses of friends are fleeting and superficial: Vivien Leigh ("she knew madness"), Tallulah Bankhead ("too bad she destroyed herself"), Sister Rose ("put in a 'looney bin'"), his mother ("an inefficient Prussian general").

"Life is very slow, theatre isn't," almost prompted the panto retort of "Oh, yes it is" from this listener. With "insanity on three sides of my family and great eccentricity on the fourth," why is this so blandly dull? Perhaps because Williams put genius into his art, not his life. His language here is riddled with the triteness of romantic novelettes. His thoughts are banal, his conclusions commonplace. The only wit comes from a quotation of Dorothy Parker: "Scratch an actor and you'll find an actress." To which, on this showing, I would add: "Scratch a playwright and you get a bar-room bore."

Martin Hoyle

ARTS GUIDE

Aug 26-Sept 1

MUSIC

London

Leipzig Gewandhaus Orchestra, conducted by Kurt Masur. Beethoven. Royal Albert Hall (Tue). (589 8212).
Leipzig Gewandhaus Orchestra, conducted by Kurt Masur with Peter Rosel (piano). Mendelssohn, Rachmaninov and Strauss. Royal Albert Hall (Wed 7pm).
Tallis Scholars, conducted by Peter Phillips. Alonso Lobo, Juan Gutierrez de Padilla and Victoria. St Paul's Church, Knightsbridge (Wed, 10pm). (589 8212).
BBC Symphony Orchestra, conducted by Marek Janowski, with Lydia Mordkovitch (violin). Wagner, Szymanowski and Brahms. Royal Albert Hall (Thur).

Paris

Quator Carmina. Peter Wettstein, Mendelssohn, Schubert. Auditorium des Halles (Tue 7 pm).
Concerto Armonica Ensemble. Bach choir from Anvers, conducted by Michael Scheck. C.P.E Bach's Saint Mark Passion. Saint-Sèverin Church (Wed 8.30 pm).
Nagoya Philharmonic Orchestra, conducted by Jun-Ichi Hirokami, with Reiko Nakaoki (piano). Messiaen, Mozart, Susumu Yoshida, Beethoven. Radio France, Grand Auditorium (Thur 8.30 pm).

Amsterdam

Concertgebouw. Violin recital by Isaac Stern, with Robert McDonald (piano): Dvorak, Bartok, Brahms, Schubert (Tue). Zubin Mehta conducting the New York Philharmonic: Zwillich, Schubert, Stravinsky (Wed). (718 345).

Utrecht

Vredenburg. The Ghent Colligium Vocale and instrumental ensemble under Philippe Herreweghe: Purcell (Tue). Malcolm Bilson, fortepiano: Mozart (Wed). The Consort of Musicke, with Marion Verbruggen, (recorder): works by 17th-century Dutch and English composers (Thur). (31 45 44).

Frankfurt

Alte Oper, Frankfurt Feste: Man and Nature. This year's Frankfurt Festival, on until the end of September, examines the lost unity between man and nature. The 200th anniversary of the birth of Josef von Eichendorff and of important works by Goethe and Holderlin, provides a central theme to this combination of music and literature. Another highlight will be a wide ranging presentation of Stockhausen's music, to celebrate the German composer's 60th birthday. There will also be piano, chamber music and lieder recitals with Hermann Prev and Dietrich-Fischer Dieskau. The programme features the New York Philharmonic Orchestra, conducted by Zubin Metha; the Australian Youth Orchestra; the European Community Youth Orchestra and the Gustav Mahler Orchestra, both conducted by Claudio Abbado; and Frankfurt's Radio Symphony and Opera Orchestras.

New York

Ravinia Festival. Kronos Quartet: Volans, Penderecki, Horvitz, Feldman, Carter, Crumb (Tue). Tokyo String Quartet: All-Brahms programme (Thur). (728 4642).

Tokyo

New Vivaldi String Ensemble, with Yoshimura Nanae (koto). Bartok, Vivaldi and modern Japanese works. Casals Hall (Tues). (291 2525)
Yomiuri Nippon Symphony Orchestra, conducted by Masahiko Enkojih, with Hae-jung Kim (piano). Tchaikovsky, Mussorgsky/Ravel. Suntory Hall (Wed). (270 6191).

Aug 26-Sept 1

London

English National Opera, Coliseum. The season opens wit revivals of two of the less successful ENO productions of recent times. David Pountney's ugly, coarse-grained modern-dress Carmen does at least sport a highly promising cast, including Jean Rigby, Arthur Davies, Sergey Leiferkus and Susan Bullock. Jonathan Miller's limply staged Mussolini's-wartime-Italy production of Tosca has Janice Cairns in the title role, with Edmund Barham, and Malcolm Donnelly.

Amsterdam

Stadsschouwburg. The Hoofdstad Operetta Company in Karl Millocker's Gasparone, directed by Hans Fretzer. (Mon). (24 23 11).

Berlin

Deutsche Oper. As a contribution to the European cultural year, Berlin is staging a guest performance of Alexander Borodin's Furst Igor, sung in Russian, by the Sofia Opera. Lulu is revived with a new cast led by Patricia Wise in the title role, Emily Golden and David Griffith. Dmitri Shostakovich's opera Lady Macbeth von Mtzenk rounds off the week.

Hamburg

Staatsoper. The opera house begins the season, under its new directors Gerd Albrecht and Peter Rzicka, with a concert version of Therèse by Massenet. The cast stars Agnes Balsa, George Fortune, Richard Leech, Urban Malmberg, Peter Haage, conducted by Gerd Albrecht. Die Zauberflöte has fine interpretations by Hellen Kwon, Gabriele Fontana and Harald Stamm. Die verkaufte Braut is a well done repertoire performance

New York

New York City Opera (State Theater, Lincoln Center). The week features Victor Herbert's Haughty Marietta in a new production by Theodore Pappas with sets by Oliver Smith. (496 0600).

Tokyo

Nabucco, performed by Teatro alla Scala, Milan: conducted by Riccardo Muti, directed by Franco Zeffirelli and with Renato Bruson in the title role. NHK Hall (Thur). (725 8888).

Falstaff

ALBERT HALL

The annual Glyndebourne Opera visit to the Proms is a dependable delight, not least because they contrive their "semi-staged" Prom performances so well. For Verdi's *Falstaff* on Saturday it was David Edwards' joh to adapt the original Peter Hall production: reckoning from the outset, perhaps, that a full-dress shivaree for Windsor Forest was out of the question, he left the cast mostly in mufti throughout and dressed the platform only with a couple of pub tables and chairs.

A clump of the latter did duty for Herne's Oak. The ruse would be inadvisable for, say, the World-Ash-Tree in which Siegmund's sword snuggles; but here it served nicely, and we did get a real laundry-basket in Act 2 for Falstaff's Toad-like escape.

The vital point was that the company had just completed a run of sixteen performances, albeit in the minuscule Glyndebourne box compared to the monstrous toffee-tin of the Albert Hall. Nobody else's concert-versions of operas can trade upon so much immediate theatrical practice and this one was richly seasoned.

Claudio Desderi's comic hero expanded shamelessly and irresistibly (and vocally, too) as he warmed to the new venue: a sort of Bob Hoskins Falstaff, forceful bluster with a dangerous edge – but decked ont with the gestural repertoire of a Roman traffic policeman.

Among the whole excellent team, Felicity Palmer's ripe Mistress Quickly and Federico Davià's languidly pretentious Pistol made especially vivid marks, and Robert McFarland's full, attractive baritone carried his Ford well into the hall.

As the young lovers Fenton and Nannetta, Gianluca Sorrentino and Eva Lind were personable and musical, though his pitch occasionally disagreed with the orchestra's – and her slightly breathy Viennese soprano is not as crystalline as Nannetta's cut-glass lines ideally deserve.

Nancy Gustafson's Alice was the sole oewcomer to the cast, but that could not have been guessed from her elegant phrasing and witty interplay.

Conducted by Bernard Haitink, the London Philharmonic achieved tingling precision and *brio*, emphasising not only Verdi's Rossinian model but the crisp formal shape of Boïto's brilliantly economical libretto. What we Prommers enjoyed was a vital and sophisticated *Falstaff*, not just a broadly "popular" version, though it scored oo that count too: as inspired *opera buffa*, as another Glyndebourne success and as a terrific Prom.

David Murray

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Politics and security

THE IRISH Republican Army and its political wing, Sinn Fein, have a phrase about relying on the bullet and the ballot box at the same time. It amounts to a policy which might be usefully, if metaphorically, taken up by the British Government.

The trouble with the British approach to Northern Ireland over the last 20 years or so is that sometimes it seems to be about security and sometimes about politics. Very rarely have the two been shown to go hand in hand. The past few weeks have provided a supreme example. Security is uppermost and politics scarcely gets a look-in.

This has happened at a time when the IRA is enjoying a temporary security advantage. *It has new weapons and the ability to use them, and it is going through a lucky streak where it hits more of its chosen targets rather than blowing up its own people.* It has also shown that it can still outwit British intelligence. Possibly British security had become somewhat lax in the *previous months.*

It is therefore appropriate that Britain should be conducting a security review at the highest level, even if the net result turns out to be little more than that the security forces should be ever more vigilant. Yet the fact that security has turned out to be *paramount in August should not* mean that longer-term political aims can be overlooked. The present British concentration on security matters raises the possibility that the Government is again sheltering behind an old myth: first reduce the violence and the politics can come *later.*

Killings continue

The truth is that the violence never comes down to an acceptable level: even in 1985, the best year since 1970, there were 53 deaths against 467 in 1972. Since 1985 the figures have been going up again. It is also true that one British political initiative in Northern Ireland after another has been allowed to peter out while the killings continue.

The latest of those initiatives was the Anglo-Irish Agreement signed at Hillsborough in November 1985. That agreement broke new ground in acknowledging that Britain and the Republic of Ireland had a common interest in the suppression of violence in the north and in the political future of the province. The accord did not suggest that a united Ireland was on the horizon; nor did it rule out the devolution of powers from Britain to the people of Ulster.

It is possible to pick holes in the agreement, especially in retrospect. The Ulster unionists were not officially consulted, did not like it and have not changed their minds since. It was perhaps rather a personal accord between Mrs Margaret Thatcher and Dr Garret FitzGerald, who is no longer the Irish Prime Minister. Also, while the Irish have certainly done something to enhance cross-border security and, for example, have accepted extra*dition, it is said by both British* and Ulster security sources that more could be done.

Skin deep

The working of the agreement so far will come up for review in November. The view on both sides seems to be that the review needs to be no more than skin deep and that there is no occasion either for mourning or ceremony. That view is wrong, because if the agreement looks as if it is no longer taken as seriously as it used to be by the British Prime Minister who signed it, what incentive will there be for the unionists to believe that it will not go the way of previous British initiatives?

There is much that could be tried. Mr Charles Haughey, the Irish Prima Minister, could be encouraged to repeat his offer of direct talks with the unionist leaders and Mrs Thatcher could back him. The devolu*tionary clauses in the agree*ment could be re-emphasised. Mr Haughey could be pressed to do even more about security and as senior officers in the Royal Ulster Constabulary retire, Britain could consider replacing them with Englishmen not weary of the struggle.

To do any of that would require Mrs Thatcher and Mr Haughey to overcome personal antipathy and agree to meet more often. Their mutual suspicion sets an appalling example. It is not the Thatcher-FitzGerald agreement which is on trial, but the Anglo-Irish Agreement. Without it, Britain would be stuck once again with no political policy for Northern Ireland.

The missing US agenda

THE US ELECTION campaign officially starts next week, but the phoney war has been uninspiring. Only two issues, Senator Dan Quayle's enlistment in the National Guard and the alleged lack of patriotism shown 10 years ago by Governor Michael Dukakis, have attracted any real attention. On the central issue, as it must seem to most of America's trading partners, that of the management of a debt-ridden economy, we have until now heard only vague slogans.

The slogans do reflect some reality. When the Vice-President asks for a further mandate to protect prosperity, he can point to some encouraging figures. The US is not only enjoying its longest peacetime expansion, but is moving towards balance. So far, though, it is a modest start.

When the governor campaigns for good jobs at good wages, he is addressing the surprisingly large proportion of the US population which has had no benefit yet from the expansion. Real wages have hardly moved in the Reagan era and the cuts in support for higher education and medical care have hurt. There is no feeling of crisis, though, in the rhetoric of either side.

Deficit reduction

It is not only the politicians who look rather complacent; they have a lot of expert support. Everyone agrees that a smaller fiscal deficit would be helpful and advisers on both sides are racking their brains for better incentives for private saving. All the same, the consensus is that the path of deficit reduction laid down in the Gramm-Rudman Act is about as much as the US or the world economy can stand. To try anything more would be to risk *recession at a time when it is* widely expected in any case, if only on the law of averages.

This is all a long way from the unease which was setting in a year ago. The stock market had just passed its peak and an untried chairman had just taken over at the Federal Reserve. The trade balance was worsening and within weeks the dreadful August figures triggered the market crash.

Is a record of a mere 10 months of growth led by exports and investment, and of remarkably successful monetary management, enough to justify a bipartisan approach of steady-as-we-go? In some ways it is. The fiscal deficit is only creeping down at the moment, but the growth of a huge surplus in the social security fund should make the Gramm-Rudman path achievable. Personal saving has risen by about one per cent from last year, consumer demand, except for durables, remains soft, and there are demographic reasons to hope for further improvement for some years.

The corporate sector, too, has changed its ways. Since the crash, takeover and buyout activity, which was producing weak balance sheets and a flood of borrowed money for investors, has declined sharply.

Shock effects

There are now clear signs of overheating in the labour market, but this is so far mainly in the low-paid service sector. As long as Mr Alan Greenspan *can get shock effects with occa*sional half-point increases in interest rates, there seems little reason for what the Senate Banking Committee, in its report on monetary policy last week, called "inflation hysteria." Inflation is widely expected to rise to between 5.5 per cent and 6 per cent during 1989, but to peak there, assuming that the dollar remains stable and the climate returns to something near normality.

The real economic worries are much more long-term: bad education, ageing industrial plant (in spite of the investment recovery), confronta*tional labour relations, unim*pressive (though improved) productivity growth and poor quality. Britain knows how obstinate these problems are. The voters seem aware of the trouble. The candidate who can convince them he has answers may be the winner.

In the wake of last year's stock market crash, the computerised trading strategies lumped together under the name of "programme trading" were the target of a wave of hostility from the investing public.

There were strident calls for it to be limited or banned. There was a sense of helplessness in Congress, the investment community and parts of the securities industry in the face of what was portrayed as computers out of control and greedy institutions rigging the market for profit.

Congressional efforts to respond to the crash have receded as attention has turned to the task of getting re-elected in November. The mood has changed. Programme trading continues.

Wall Street is involved in intense discussions about how best to meet the needs of the big institutional investors, such as pension funds and insurance companies, which increasingly dominate the securities markets. The debate highlights the issue that gave rise to programme trading in the first place – the growing desire by institutions to trade huge portfolios of stocks in bulk.

Rather than buying and selling individual stocks, more and more institutions want to trade large numbers of different shares simultaneously as one transaction. Behind this desire is the rapidly rising popularity of "indexed" or "passive" portfolios, which seek to replicate as closely as possible a major stock market index such as the Standard & Poor's 500. These funds are much cheaper to run than traditional ways of managing money – they need no expensive research departments – but they outperform most of those *funds which rely on the judgment of* stock analysts to select individual stocks.

"Everyone is looking for lower cost, lower risk ways to trade . . . it is cost savings that are driving these markets, nothing else," says Mr Louis Margolis, a managing director of Salomon Brothers, the big Wall Street securities trading house. He estimates that the top 200 *pension funds* have more than $200bn under passive management.

In some cases, this approach to money management is quite active: institutions move aggressively in and out of stocks, but the equity portfolios they buy and sell so enthusiastically are chosen to match an overall market index, rather than selected indi*vidually.*

The form of programma trading called stock index arbitrage, so reviled since the crash, is a logical consequence of institutions' desire to trade, say, the entire S & P 500.

To hedge itself against an unexpected drop in share prices, an institution placing an order for all the component stocks of the S & P 500 *would at the same time sell the* appropriate number of S & P 500 futures contracts, traded in one of the pits at the Chicago Mercantile Exchange. If a gap opens between the current price of these shares and the price of the appropriate futures contract, it is in everyone's interest for arbitrageurs to profit from it by buying the one and selling the other. Arbitrage like this will rapidly close the gap – *if it is* possible to trade large portfolios of stocks smoothly and efficiently.

Alas, the appropriate market mechanisms are lacking. In the view of most futures experts in Chicago and futures-literate Wall Streeters, it is this lack – rather than greed or uncontrollable computers – which destabilised the market last October.

The problem is that there is no way for an institution to buy or sell, say, the S & P 500 in its entirety. An order to sell the S & P 500 is entered into the New York Stock Exchange's Superdot electronic system and is then broken up into 500 single orders which hit the specialists on the floor of the stock exchange almost simultaneously. (New York Stock Exchange specialists, who trade for their own account, are supposed to ensure smoothly functioning markets in the stocks they are assigned.)

Wall Street wants to deal wholesale

Janet Bush reports on Wall Street's attempt to create new mechanisms for trading shares in bulk

Once the various specialists have executed each order, the portfolio is then put back together again.

"Most people do not understand that if we have a portfolio for sale and want to find a huyer, we cannot accomplish this trade in New York Stock Exchange hours. They think we can miraculously put buyer and seller together – it doesn't happen. There is no mechanical way to go to the floor to do *that transaction,*" *says Mr Margolis.*

Look, by contrast, at the case of a large trade in an individual stock. Suppose an institution wants to sell 200,000 shares in IBM. If if is traded in one bite, as usually happens, a block trading house would match buyer and seller, the order would be sent to the floor of the exchange, a price *found and the deal done. There would proba*bly be little impact on the price of IBM shares.

But imagine the impact if that block trade had to be broken up into 10 lots of 20,000 shares which hit the specialist every 10 minutes.

"I suspect that at the end of 100 minutes, the stock price would be far more impacted than if 200,000 shares came into the market and were worked off by accessing the joint venture of the block trading house and the specialist," says Mr Margolis. That example gives some idea of the potential for volatility when an institution wants to sell the whole S & P 500. As the portfolio is broken up, orders for all the different stocks suddenly hit the floor simultaneously.

The destabilising effect was graphically illustrated on October 19. Mr Margolis says: "The crash clearly demonstrated that there was a problem with the system."

If this argumant is correct, the assault on programme trading was misdirected. It concentrated on a symptom of an investment trend, not on the underlying issne. Now, far from banning programma trading, such as stock index arbitrage, the securities industry wants to perfect the trading of portfolios which spawned it. Programme trading will merely evolve as trading techniques and *market mechanisms develop.*

The assault on programme trading concentrated on a symptom, not on the underlying issue

"What happened on October 19 was that the world found out what the futures market already knew: that institutions need a basket-type prodnct," says Mr Leo Melamed, chairman of the executive committee of the Chicago Mercantile Exchange, who is acknowledged as the driving force behind the development of financial futures markets.

"Programme trading is going to be around. The real goal of markets ought to be to allow [such trading] to be utilised so that it doesn't disrupt the market and doesn't cause upheaval," he says.

Professor Merton Miller, one of America's foremost experts on derivative products and Professor of Finance at the University of Chicago, believes New York and the wider investment community must accept that futures are an integral part of trading securities and that technological developments are inevitable.

The crash, if anything, whetted the appetite for hedging tools such as futures and options and these are being developed at a rapid pace in overseas markets. Mr Melamed believes that the main threat to tha health of US financial markets is competition from exchanges abroad.

In the last few months, there has been a rash of new futures and options contracts and there will be many more. The Merc wants to introduce a futures contract based on the Nikkei 225 index of Japanese stocks and a contract which would represent a global basket of shares

But the most thorny challenge is to work out the details of of how to trade portfolios of shares. It is too early for any proposals, *but discussions are* widespread.

The New York Stock Exchange and the Securities and Exchange Commission are both looking into the possibility of setting up a specialist on the floor of the exchange purely to make markets in and execute transactions in portfolios.

If such a system were to be set up for portfolio trading, says Professor Miller, "the specialist would have to be pretty big because they (the institutions) are going to be coming down on him in pretty large chunks and with fairly sizeable force."

Mr John Phelan, chairman of the NYSE, expresses discomfort about the huge trades made by institutions and their dominance of the equity market. Nevertheless, he concedes that the exchange must move with the wishes of its clients.

A number of exchanges across the country, including the Philadelphia Stock Exchange and the American Stock Exchange in New York, are developing products which would allow investors to trade baskets of shares.

The large block trading houses, such as Salomon Brothers, want rule changes which would allow them to match buyers and sellers of standard portfolios – such as the S & P 500 – and non-standard ones. In other words, they want portfolio trading to becoma the block trading of the future.

The concept raises many questions. Prominent among these is how price changes in a portfolio can be translated into price movements in the individual stocks making up that portfolio.

Everyone agrees that there would have to be a system which would arbitrage away price discrepancies but nobody quite knows how it would work.

Mr Melamed envisages some kind of certificate representing a holding in a portfolio and giving the holder the right to buy the individual stocks at some stage. On the face of it, this system looks clumsy and the details have to be thrashed out.

A more far-reaching qnestion is whether the specialist should be *cut* out altogether, a question which has exercised Wall Street for many years.

Both the Chicago school and the block trading houses on Wall Street tend to support a continuing role for the specialist system.

The block trading houses are backed by substantial capital. Their large number of clients enables them to match buyers *and sellers for big* orders. But the involvement of the specialist on the floor of the exchange means that information about traders is more widely disseminated and makes pricing more accurate.

Persistent loyalty to the specialist system reflects a reluctance to take securities trading off a physical trading floor – as happened when London's markets were deregulated in the Big Bang of October 1986. Advocates of the block trading specialist argue that this would be a more sophisticated approach than London's emerging system of ad hoc auctions of portfolios.

In London, an institution wishing to sell a portfolio gives skimpy details of the type of shares involved and asks for bids from investment banks. The successful hidder acts as a principal, taking the whole portfolio on its own books and then selling it off to other clients. The possible New York/Chicago systems involve a continuous, much more institutionalised, two-way market in portfolios.

The logical conclusion of New York thinking on portfolio trading is, nonc the less, that a further large chunk of institutional stock trading and stock exchange volume would move off the floor of the exchange and take place in dealing rooms on hlock trading desks.

The specialist would be left to deal in smaller orders (including those of individual investors) and rubber stamp institutional block and portfolio trades sent to the floor from the brokers' dealing rooms.

Underlying this debate lies the realisation, since the crash, of the incompatibility of traditional, amall-scale trading hy individual investors and highly automated bulk trading by institutions. The discussions within the industry reflect a perceived need *to separate the two.*

Professor Miller says: "The smaller investor and institutions used to be able to live together, but now that has changed. But I don't wish for an earlier era. Instead of worrying about it, why don't we ask ourselves how we can accommodate these different interests and trades and keep them from killing each other?"

OBSERVER

The Last Temptation

■ To the public eye, storms come suddenly in the movie world. But behind the scenes they can take a long time brewing. Our film critic Nigel Andrews recalls that four years ago in New York he ran into Martin Scorsese, director of The Last Temptation Of Christ. Though Scorsese was then editing After Hours, the main topic of conversation was already "that movie."

Scorsese had just rebounded from his latest failure to raise money for his long-cherished film of Nikos Kazantzakis's novel about the human and carnal sides of Jesus Christ. For once, as a Hollywood film-maker spoke, the air was alive with the sound of wisdom *before* the event.

"I've tried to put the film through the Hollywood system," said Scorsese, "which it should never go through. It's not that Hollywood is bad, but if you're making a picture which may – *may* – upset a lot of people, you don't go to a company like Paramount, which is owned by Gulf and Western, or like Columbia, which is owned by Coca-Cola. These are major, major conglomerates, and why should they pit their heads in a noose? Can you imagine somebody picketing a theatre and then picketing everything else Gulf and Western does? Oil – everything – it could get very heavy.

"So ideally you make the film independently, and people come and judge it for itself. The Last Temptation isn't meant to be a film by bad little boys who are making Jesus say *this and Mary Magdalene* do that. It's trying to come to grips with human nature. Because he was a man, Jesus Christ was a man. And if he was a man, he may have had the same problems and temptations that we have. And the film asks: Is there a difference between the spirit and the flesh? Or are they the same thing? That's what the film is about.

"I think it could say so much, religiously, to people, and make them feel so good about Jesus, and make them understand what he is saying. And to identify with – and actually feel – the pain and conflict he's going through. Because we go through the same thing. That's the reason for making the film. And maybe one day we'll be able to do it. But not with backing from Hollywood."

And lo, one day they were able to do it. Scorsese was right about the furore that would greet the film, but he was dead wrong about Hollywood. A major studio did back the film – Universal – which shows that miracles can still happen.

The next

■ Soviet glasnost has not yet discovered feminism, but it soon may, for it has discovered beauty queens. Under way now in 168 cities across the country are the first heats to find "the most beautiful girl in the USSR."

Announcing the contest last week, Mr Vyacheslav Tikhonov, a popular actor and chairman of the contest's organising committee, said that "one of the main tasks of the coming contest is to find stars." Already, 16-year old Masha Kalinina, Miss Moscow (chosen last month), has been promised that she can be big *in films.*

The girls must be between 16 and 25, unmarried and with no children: the organisers say that "apart from being beautiful, the winner should also be charming, witty and sociable." This should screen out every ticket collector, stewardess, shop assistant and female bureaucrat with whom our man in Moscow has had to deal.

There is a final affront for western feminists: the finals will be held on March 8 next year: International Women's Day, as the organisers proudly announced.

The ultimate

■ While Iran and Iraq debate issues of war and peace and sovereignty over the Shatt al-Arab waterway at Geneva's monolithic Palais des Nations, logistical difficulties have arisen over an altogether smaller duct.

It seems that there is only one loo in close proximity to the negotiating hall, and that United Nations officials are having the devil's own job trying to prevent simultaneous visits to it by members of the rival delegations.

Even worse is the apparent tendency of both delegations not to let go of the chamber once it has been secured. On more than one occasion, one of the warring parties has been in occupation for an inordinately long time, leaving the other to withdraw ignominiously or hop from one foot to the other.

The UN is not unfamiliar with problems of this kind. Competition over use of the facilities also arose during the drawn-out proximity talks on Afghanistan at the Palais, causing intervention by protocol officials anxious to pre-empt an unseemly punch-up between Pakistanis and Afghans *in front of the loo.*

Fortunately, however, the Mr Javier Perez de Cuellar, the Secretary General, does have an in-house solution. If things get worse, he can always call on assistance from the UN Relief and Works Agency.

The highest

■ While some weary executives may avail themselves of "passion breaks" in York, 16 managers at Apple Computer are now in the process of simulating a "typical week at the office" by climbing Mont Blanc.

Mr Keith Phillips, the managing director of the company, said the aim was not just to get to the top. The £82,000 climb would help break down barriers to communication, build bonds between team players and help the managers feel positive and healthier about life, he said. Just in case they don't, they are taking with them a trained psychologist and Chris Bonnington, the mountaineer.

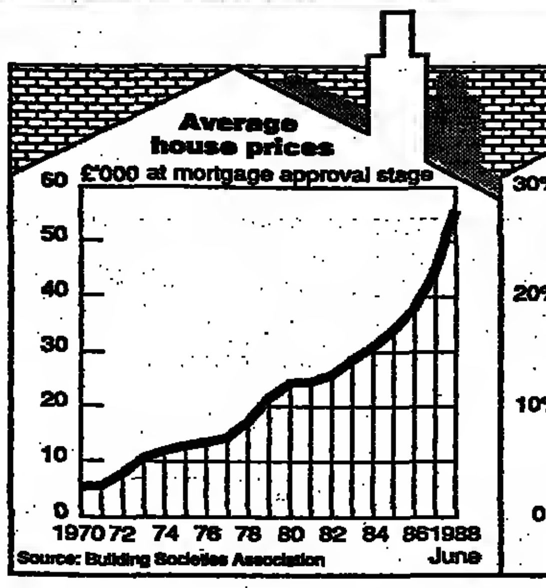
The lowest

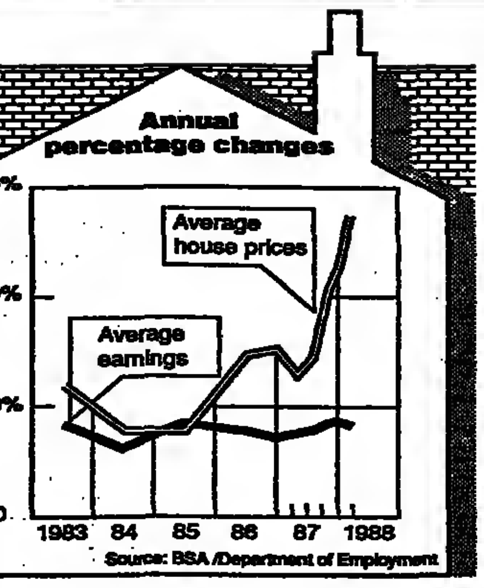
■ My favourite Quaylism of the week is a sign at Columbia Regional Airport in Missouri: "It isn't the skeleton in the closet, it's the brain in the head."

Jurek Martin

Taking the fizz out of house prices

Ralph Atkins assesses the impact of the rise in interest rates on the UK's fevered housing market





Estate agents were entitled to feel edgy on the bank holiday weekend. The rise in base rates to 12 per cent on Thursday was a clear signal that the Government has put cooling the frenzied housing market high on its list of priorities.

The nervous atmosphere was intensified by the tabloid newspapers on Friday – the morning after the release of trade figures showing an unprecedented £2.15bn current account deficit in July and the sudden 1 percentage point rise in interest rates.

"Ouch! Misery as home loans soar," exclaimed the Daily Mirror. The Sun speculated that mortgage rates would go even higher: "13 per cent young lovers home loans blow," it declared.

The first signs on Saturday were that it would take some time for the effect to be felt. In Cardiff, one estate agent reported about 50 visitors by lunchtime – good, even for a Saturday. But actual sales had been quiet since the beginning of August.

"There are a lot of people just looking at the moment. With the interest rate rise they want to know what is going to happen to prices before that make a decision," he said.

In Newcastle-upon-Tyne, Black Horse Agencies Storey Sons and Parker had had about 30 visitors by 1pm – as hectic as any recent Saturday. "Nothing seems to have affected the market so far," said Mrs Barbara Clark, sales negotiator.

It is naive, however, to expect an immediate reaction from the rates rise. Perverse reactions are likely, and time lags are inevitable given the exceptional momentum of recent price rises. In the 12 months to June, Halifax Building Society figures showed that prices in the UK had risen by 22 per cent. Increases ranged from 5 per cent in Northern Ireland to 48 per cent in East Anglia.

On textbook economics grounds at least the base rate rise, and the mortgage rate increase that is set to follow, should have a discernible effect on prices. Interest rates determine the cost of home ownership and the size of new mortgages. A one percentage point rise in interest rates means that a typical £30,000 mortgage costs £15 more a month.

But it is not the only influence. Pushing house prices upwards are earnings, the increasing number of households and the easy availability of mortgages.

The first of these, the effect of earnings, is particularly sensitive. If the buying power of would-be homeowners is based on, say, three times their earnings, the impact of a pay rise is tripled. However, with the ratio of house prices to earnings near an all time high, a slowdown in incomes growth could restrain price increases.

Looking ahead into 1989, earnings will continue to rise – albeit at a slower pace than the current underlying 8¾ per cent a year. Wage settlements will be based largely on this year's exceptional company profitability. Yet overtime and employment growth may be tempered as economic growth slows.

The second factor – demographic trends – will continue to increase the number of households in the 1990s. A recent Bank of England discussion paper estimated that the number of households in Great Britain could rise by more than 3m, to 24m in 2001.

This rise would be reduced if slower real incomes growth were to discourage families from breaking into smaller units and children were to stay with their parents longer. But home ownership is increasingly being perceived among the young as a necessary part of growing up. This trend is exaggerated by the decline of council housing and the continuing malaise of the private rented sector.

Tax changes announced in the budget, which limited mortgage relief to £30,000 per property regardless of the number of borrowers, accelerated demand for houses in the early summer by groups of individuals clubbing together. This can properly be regarded as an erratic influence.

The third factor pushing prices upwards is the 1980s revolution in housing finance. No longer does restricted lending by building societies hold prices in check. Now the size of mortgage lending is determined more by what borrowers can prudently afford.

Between mid-1986 and mid-1988 outstanding mortgages for house purchase from building societies increased by about 50 per cent to some £150bn. The banks' contribution doubled in the same period to more than £40bn. That growth is more likely to be built upon than reduced.

Other factors have also to be taken into account. On the supply side, frantic house building by construction companies may prove to have been overdone. With overstretched first-time buyers particularly hit by mortgage rate rises, prices of starter homes may fall – with ripples reaching others further up the chain.

There are good reasons to believe house prices in 1988 are more sensitive to interest rates than in the 1970s. Mortgage lending is no longer determined by supply but by demand – and therefore cost. Similarly, households are willing to take out higher mortgages, leading to a proportionately greater burden when rates go up.

Overall, underlying factors affecting house prices seem likely to follow the pattern of economic growth. The consensus among economic forecasters is that the UK economy will grow strongly in the second half of this year and in 1989, although at a slower pace than in the last 12 months.

But the effect of the mortgage rate rise on house prices, when it does come, could be determined as much as anything by expectations – whether fuelled by estate agents, newspapers or bar-stool debate. If the rise shocks the market into thinking prices could stagnate, expectations could become self-fulfilling as buyers and sellers expect less. And even a little doubt could take the fizz out of the market.

FOREIGN AFFAIRS

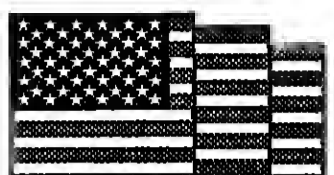
Candidates too true to be good

Jurek Martin asks whether a pure record is a necessary qualification for high office

What I wanted was to go to graduate school, to get married and to enjoy those bright prospects I had been taught life owed me." The words are not those of Senator Dan Quayle of Indiana, though they could have come from his mouth. They were written nearly 13 years ago by a man with whom Mr Quayle probably has nothing in common politically, James Fallows, the writer and former composer of speeches for President Jimmy Carter.

There are other passages in Mr Fallows's memorably honest article, "What Did You Do In The Class War, Daddy?" published in the Washington Monthly in October, 1975, which ought to be read today for a sense of perspective on the controversy surrounding the Republican vice presidential candidate.

None better describes the thinking of many young Americans at the height of the Vietnam war than this one: "The 'we' that I refer to are the mainly white, mainly well-educated children of mainly comfortable parents, who are now mainly embarked on promising careers in law, medicine, business, academics. What makes them a class is that they all avoided the draft by taking one of the thinking-man's routes to escape. These included physical deferment, by far the smartest and least painful of all (and the author's own chosen tactic); the long technical appeals through the legal jungles of the Selective Service



System; the more disingenuous resorts to conscientious objector status; and, one degree further down the scale of personal inconvenience, joining the Reserves or the National Guard. I am not talking about those who, on the one hand, submitted to the draft and took their chances in the trenches, nor, on the other hand, those who paid the price of formal draft resistance or exile."

Mr Fallows also did a back-of-the-envelope calculation showing that the military "bite" on his class at Harvard at the peak of the war amounted to a lot less than 10 per cent, of whom more than half were in any case obliged through possession of military-sponsored scholarships to the university. He contrasts this with the lot of the other humbler citizens of Boston, who went, served and, in many cases, were killed, injured, or otherwise scarred.

His analysis cannot be dismissed as simply the lamentations of a liberal conscience. Five years ago, Mr Christopher Buckley, author, former speechwriter for George Bush, and son of William F., the conservative polemicist, published an article, "Viet Guilt" which included the passage: "By not putting on uniforms, we forfeited what might have been the ultimate opportunity, in increasingly self-obsessed times, of making the ultimate commitment to something greater than ourselves; the survival of comrades."

Mr Quayle is not exactly in the intellectual or reflective leagues inhabited, differently, by Fallows and Buckley. In fact, it is reasonable to conclude from the painful evidence of two weeks on the ticket that Mr Quayle is a turkey. Whether he will be served up on the Democratic Party's Thanksgiving table late in November is hard to say, but the words that have come out of his mouth seem the worst kind of gobbledegook. His selection surely reflects adversely on Mr Bush's judgment. If Mr Quayle is going to be a heartbeat away from the presidency, then it may be asked who is to be the next Republican Secretary of State – Clint Eastwood, perhaps.

It is also legitimate, on the part of the press, to contrast Mr Quayle's enlistment in the National Guard with the overt patriotism that has been the leitmotiv of his political career and to see how it goes down among those to whom "the thinking man's route" was not available. But it is unfortunate that this is already colouring the campaign so much. There are enough serious problems confronting America for the battle not to become bogged down in totally spurious patriotic issues, such as Mr Bush's present pitch to make the Pledge of Allegiance mandatory in American schools.

But, having said all that, there is something deeply troubling in the fact that Mr Quayle was first found wanting not for what he stands for today but for an act taken, along with many others with his advantages, nearly 20 years ago; after all, he was not, on all available evidence, thinking of running for high national office in 1969.

It is obviously right that an electorate should know as much as possible about candidates put before it, and, in the mass media age, that means more now than ever before. But standards change surprisingly fast, and surely some understanding is desirable.

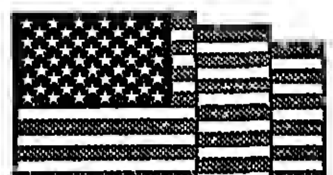
If, for example, the standards of sexual behaviour now apparently expected of American politicians were applied retrospectively to John Kennedy, be would never have become President; nor, knowing now what was not known then, would FDR or even George Washington and Thomas Jefferson. Richard Nixon, who did end up by disgracing the presidency, would have passed muster. His character flaws were of a less easily identifiable order.

It is not just an American problem. Cecil Parkinson and Jeremy Thorpe have seen British political careers derailed, the latter terminally, by the sort of extra-political activities engaged in with relative impunity by the likes of Lloyd George and even Hugh Gaitskell. We can say that Mr Parkinson's behaviour was lamentable but it is a tougher judgment to deduce from this that he is totally unqualified ever to become Prime Minister.

Of course America is different. Its political system is more fluid in the opportunities it gives for fast advancement. Its press, albeit mostly non-ideological, is now more aggressive and intrusive. Its good, in uncovering the bad, of which Irangate is a classic recent example, still far outweighs its defects. But perhaps – though only perhaps – it should sometimes temper its instinct for the hunt with an awareness that times do change.

Mr Quayle is, after all, in no way unique, nor is Vietnam the only cross his generation has to bear. For it is from his age group that the nation's next leaders are emerging. Many of them went to the country's great universities in the 1960s and early 1970s, when, as Christopher Buckley correctly noted, the self-obsession that has marked the 1980s was much less evident. It was not just involvement in the great causes – free speech, the civil rights movement and opposition to the war – that made that period so distinctive. There was, simultaneously, much experimentation with new lifestyles, notably in drugs and sex, long before AIDS and hard narcotics were identified as the threats they are known to be today.

It would be very hard for a Berkeley or Harvard man or woman now interested in public office to cross their hearts and swear that they had never smoked dope and only ever slept with their spouse. This is not hypothetical. Last year one of President Reagan's Supreme Court nominees, Douglas Gins-



burg, was ultimately undone for the "crime" of having smoked marijuana at a Harvard party. Admittedly, he was on the faculty at the time and perhaps should have known better. But it is hard to argue that this was relevant in assessing his judicial mind and qualifications. Hugo Black, the great liberal Justice, was once a member of the Ku Klux Klan, not that uncommon in the Alabama of his youth.

If a necessary qualification for high, or low, office is a personal history that is squeaky clean according to the standards of the moment, then candidates of real talent will not present themselves. US Presidents, above all, should not be perfect, because they operate in too flawed a world. One day, one will be a woman, a Jew, a black or a Hispanic – and one day one may once have burned a draft card.

LETTERS

Obstacles other than VAT

From Mr Stewart Vaughan.

Sir, David Buchan's article on tax harmony (August 22) gives further evidence that the European Commission is wasting too much effort on attempts at obligatory VAT harmonisation, to the neglect of other, far more destabilising obstacles to free, fair, inter-European Community trade.

The UK government is right in stating that market forces will achieve the desired level of harmonisation. We have only to look at the table accompanying the article, which indicates that the same bottle of wine should cost three times as much in England as in France. Compare supermarket shelves in London and Paris: there is nothing like this difference. (Indeed, non-French wines can be more expensive in France than in England.)

Furthermore, the nature of VAT (though not excise duty) is such that the recipient country of the tax is the country in which value is added, so the difference in VAT rates between two countries is only applicable to the wholesale price of the product; the Commission's proposal to end "export zero rating" within the EC is perfectly valid. Every country within the EC would remain entitled to fix its own VAT rates and decide at what level it wished to tax value added within its borders. The tax on the value added at the retail end would be the same in the country of sale, whatever the country of origin.

The fiscal differences between member states which deserve much more scrutiny are payroll taxes and property taxes.

These can render fair competition between companies in different members states impossible. Harmonising VATs, of which the standard rates all fall within a band of 10 per cent, is futile when yon consider that a French employer has to contend with payroll taxes of about 45 per cent (on salary band FFr0-10,110 a month – £215 a week) and still hope to compete with his UK neighbours.

Stewart Vaughan,
95 Avenue de la République,
75011 Paris, France

Some weapons are more offensive than others

From Professor R.R. Neild.

Sir, On the defensive or offensive nature of weapons, Mr Grahame Leman (Letters, August 24) should recognise that there are two points that matter:

- As he says, any weapon can be made to help an offensive operation in some degree. (For example a minefield, which cannot move and serves locally only for defence, will release forces for an attack at another part of the front.)
- But there are some weapons which, if removed from both sides, will reduce the ability to attack (for example, tanks in the Second World War or now) or the ability to defend (for example, machine guns in the First World War).

In short, all weapons are offensive but some are more offensive than others.

That is why it is worth discussing with the Soviet Union how to remove the most offensive weapons, and modify the doctrine, deployment, training and logistics of their forces and ours in the direction of defensiveness.

Simply to equalise or reduce the size of the forces will not produce security so long as the forces are designed to take the offensive.

R.R. Neild,
Trinity College,
Cambridge

How to restore the traditional village

From Mr David Redfearn

Sir, No Association of District Councils, no Ombudsman, and no public enquiry on earth will serve to reverse the present trend described so graphically by John Hunt ("A built-up and unpleasant land," August 24). Wealthy commuters and retired people will continue to replace our traditional village populations unless radical land reform is first undertaken.

These are the facts of the case.

The type of farm that produces the best results per unit of area is the old-fashioned farm – small, mixed, labour-intensive – following a natural fertility cycle.

On the other hand, the modern farm – large, mono-culture, dependent on artificial fertilisers and machinery – produces the best results *per unit of labour employed*, which is quite a different matter because labour is largely dispensed with.

The latter system is, of course, to the immediate personal advantage of the class of land-monopolists created long ago by the enclosures, but even then only when their powerful lobbying secures them very large subsidies.

Therefore what is needed for the restoration of "England's green and pleasant land" is a measure which will discourage the holding of land in quantities beyond those which can be properly managed to get the best results per unit of area; in other words, a return to the small mixed farm. Such a measure would be a tax based solely on the potential value of the land – as it was applied 100 years ago to the parched and depopulated cattle ranges of California.

The California/Wright Act of 1888 established 200 Irrigation Districts so financed. Despite bitter resistance by the cattle kings, this created an area of 4m acres in which the family farm of 30 acres is the norm.

All this is no secret; but where is the British government to be found that will grasp the nettle?

David Redfearn,
15 Fennell's Close
Eastbourne, East Sussex

Debate on defining a company's objectives goes on and on

From Mr Philip G. Turner.

Sir, Andrew Campbell writes from the Ashridge Strategic Management Centre (August 24) to inform us that companies have "at least" four "stakeholders": shareholders, employees, customers and suppliers.

This is an opinion paraded as fact. It is nonsensical to equate the interests of the owners of a business – the shareholders – with, for example, the suppliers. The nature of their respective interests in a business is manifestly different. It is obviously detrimental to a business if it ignores the requirements of its customers or suppliers, but it is hard to see bow a business could surviva by optimising these groups' interests.

The debate about shareholders' and employees' respective "stakes" will go on and on. Rather than indulge in academic ruminations, the practical manager is faced with the task of making sure, for tha future success of the business, that the interests of all the employees and shareholders are identical. The wider the spread of ownership of shares by employees, the better.

Philip Turner,
93 Larkhall Rise,
Clapham Old Town, SW4

From Mr L.G. Hunt.

Sir, In his outline of the stakeholder theory of objectives, Andrew Campbell (Letters, August 24) is less than fair in dismissing Martin Taylor's contention (Letters, August 1) that "central management's job is to add value for the shareholders."

The alternative classical model still has validity – and adherents. The prime objective of the company is the maximisation of shareholder's wealth, defining this as the discounted value of future cash flows. Customer satisfaction, both short and long term, and employee development (to name only two), are vital supporting objectives. But they are *means* of achieving the prime objective.

When teaching financial management courses I considered it vital for students not to forget non-financial objectives. I therefore used a session to elicit from them, and discuss, the two alternative models. But when I asked them which they thought was more applicable to UK companies, the great majority chose the financial model. A similar view was expressed in courses for owners of small businesses.

L.G. Hunt,
Bishops Hide,
Beausale, Warwickshire

FINANCIAL TIMES
Tuesday August 30 1988

Janet Bush on Wall Street

Momentous events leave bulls cold

THOSE OLD hands in the securities business who have seen many a sparkling bull run and many a grindingly slow bear market had always anticipated that the October crash would be followed by the dog days which are now besetting the equity market.

Days when only around 120m shares are traded on the Big Board of the New York Stock Exchange are becoming almost normal. In the first four days of last week, daily volume totals were 122.3m, 119.5m, 127.8m and 127.6m. Within those totals were quite a lot of dividend capture strategies and a few bouts of programmed stock index arbitrage.

The worst thing about this desultory activity was that it came in a week when the market had a great deal to think about. In more normal days, trading houses would have jumped in and out of the market to make a quick turn on the most minor economic indicator, a rumour or an arcane event in overseas markets.

There was nothing subtle or minor about what was going on last week. It is not every day that there is a major round of co-ordinated interest rate rises. It is not often that the Bundesbank raises its discount rate and Mr Karl Otto Pöhl, the central bank's president, speaks in unadorned, straight and aggressive language about defending the D-Mark. It is not every day that Britain announces a thumping £2.65bn ($4.48bn) visible trade deficit.

And it had become highly unusual for Administration officials to talk down the dollar, as one senior official did last week in the New York Times.

And yet the equity market was unmoved. At the end of May, Mr Bill Jones, a broker for 29 years with Merrill Lynch, eschewed the optimism constantly expressed about the return to the stock market of the individual investor. He predicted an extremely gradual re-entry, perhaps over years rather than months and noted that "investors burned in the 1970s didn't come back until the 1980s."

Many of the investment newsletters which pour out of Wall Street every week have been talking optimistically about a rally buoyed by mountains of cash which will burst forth after the "summer sag," but there are a great many reasons to be pessimistic.

First, individuals and institutions are still running scared after last year's global crash in stock markets with the first anniversary of Black Monday less than two months away. The recent hike in the US discount rate may have been necessary, but it nevertheless left a nasty reminder of the events of last year hanging in the air.

Second, there has been a clear world move towards higher world interest rates to combat inflation: this is not good for equity markets, wherever they are.

Third, related to the last point, bond market yields are looking more and more attractive. Even a robust equity market would find it hard put to argue with long yields near to 9.5 per cent.

Fourth, this is US presidential election year and the furore surrounding Senator Dan Quayle (known in the popular press among other things as Rambo of Sunnybrook Farm) has done nothing to lighten Republican hearts, many beating on Wall Street.

While, as Mr Greg Smith of Prudential-Bache Securities comments, "signs continue to accumulate that we could be entering a period of military tranquillity on a global basis," uncertainty about who will win the White House in November is undermining confidence.

A fifth concern, always in the background, is whether Japan can continue to foster stability in the Tokyo stock market. The Bank of Japan has been notable for its absence not only in intervention against the dollar but also for its absolute refusal to countenance a rise in the Japanese discount rate. Could it be that the Japanese authorities are getting concerned about the health of the equity market where the Nikkei 225 index dropped in four out of five sessions last week?

Technically, too, the stock market appears to be in bad shape. Economists at Smith Barney say: "About the only positive thing we see in the technical data is the fact that they look so bad."

Volume considerations, they say, leave a lot to be desired. "It's the lack of turnover expansion when the market tries to rally that bothers us. Volume is a weapon of the bull, but he doesn't seem to want to use it."

Strikes continue as Walesa seeks basis for talks

By Christopher Bobinski in Warsaw

STRIKES continued yesterday in the Polish Baltic cities of Gdansk and Szczecin as behind-the-scenes negotiators representing Mr Lech Walesa, the Solidarity leader, sought to establish the ground rules for talks with the authorities.

In Silesia, meanwhile, only one mine, the Manifest Lipcowy, where the present strike wave started two weeks ago, continued with its protest after workers at two nearby pits called off their action at the weekend.

A stoppage at Stalowa Vola, a major engineering works in south-eastern Poland, was also reported as continuing yesterday.

The efforts to start talks came after a Communist Party central committee meeting at the weekend which upheld last week's offer by the Interior Minister, General Czeslaw Kiszczak, for a round-table meeting with representatives of "various social and workers' groups."

For the moment, however, it seems that the authorities are insisting that the strike at the Gdansk shipyard ends before they start talks with Mr Walesa, who on Sunday returned to the yard to rejoin the protest.

Also to judge from the speakers at the central committee meeting, the authorities remain opposed to recognising Solidarity and permitting its return to the shop floor, which remains Mr Walesa's central demand.

Official tactics, which are viewed with considerable suspicion by Solidarity activists, continue to consist of holding out the promise of political liberalisation, which would include the legalisation of independent discussion clubs and political groups.

The authorities also continue to uphold offers to opposition figures to join official structures such as the suggested second chamber in parliament, as well as parliamentary seats at next year's elections.

At a meeting of the central committee, numerous speakers criticised the Government's handling of prices and incomes policy.

They blamed mounting inflation for the present unrest, thus making it possible for the Government to carry out a reshuffle at a forthcoming parliamentary session.

New hope, Page 2

Solidarity leader Lech Walesa and union official Adam Kichnik (right) at the Lenin shipyard in Gdansk at the weekend

Rocard visit raises hopes on New Caledonia

By Ian Davidson in Paris

FRENCH Prime Minister Michel Rocard returned from a successful three-day campaigning tour in New Caledonia yesterday, amid growing signs that his own position has been strengthened by the agreement on the French Pacific territory, and that the Government has every chance of winning the French national referendum on the agreement scheduled for November 6.

The New Caledonia agreement provides for one year of direct rule from Paris, followed by a federal system of local government decentralised into three provinces. After 10 years, a local referendum would be held in New Caledonia on independence from France.

Mr Jean-Maria Le Pen, leader of the extreme right-wing National Front, has described the referendum as "high treason". But the mainstream opposition parties on the right and centre-right are still sitting on the fence, reluctant to support the Rocard Government's policy, which directly contradicts the objectives they pursued in government until barely four months ago, but wary of condemning an agreement which seems to have brought peace.

The opposition parties may also have been waiting for a lead from public opinion, but if so they must have been disappointed. Fifty-two per cent of the French population favours independence for New Caledonia, according to an IPSOS poll published yesterday in the news magazine Le Point.

Officially, Mr Rocard is not advocating independence for New Caledonia, and in any case the question is being postponed for 10 years; but the hope for tha poll is a reasonable turnout with a majority of Yes votes. The Government's main anxiety has been not that it would be defeated in the referendum, but that the durability of the new regime would be jeopardised by a low turn-out.

The Government's target is known to be a minimum of 50 per cent. The most recent French referendum, in 1972, on the admission of Britain, Ireland and Denmark to the European Community, was won by the Government, but with a damagingly high abstention rate of 40 per cent.

The IPSOS opinion poll suggests a better outcome for the New Caledonia vote.

Although the proposed new regime for New Caledonia has disappointed extremists among the Melanesian community, who protested at the 10-year delay for the referendum, it has succeeded in interrupting the wave of violence between the Melanesians and the European settlers, which reached a bloody climax before the presidential election.

European protests grow over US anti-apartheid Bill

By Steven Butler in London and Lionel Barber in Washington

THE BRITISH Government has warned that it would face political pressure to retaliate against US oil companies if the US enacts legislation effectively barring British Petroleum and Shell from bidding for exploration licences.

The warning, contained in a letter to US congressmen from a senior Washington-based British diplomat, is the latest move in a series of protests by European countries over clauses in the Wolpe-Dellums Bill calling for a near total trade embargo on South Africa.

The Bill's wide-ranging provisions include barring US subsidiaries of foreign oil companies from gaining US oil, gas or coal leases as long as their parent companies continue to operate in South Africa.

The letter from Mr Brian Crowe, acting charge d'affaires, appeared to be a warning that US oil companies could be barred from future North Sea oil exploration licence awards, although Britain yesterday was keen to point out that the issue had not yet reached this stage and that the letter contained no threats.

Mr Crowe said that the legislation was objectionable because of its extra-territorial provisions.

President Reagan opposes the legislation and it is given scant chance of passage this year. However, it could be acted on next year under a new Administration, particularly in the event of a Democratic Party victory in this autumn's presidential election.

The letter revives a long-running argument about attempts by the US Government to control overseas corporate activity.

This issue was raised when overseas US bank branches were forced to freeze Iranian assets, and earlier when the overseas subsidiaries of US companies were barred from selling equipment for the Siberian gas pipeline that now supplies Europe.

Britain led European resistance to a US Justice Department anti-trust suit against European airlines after the receivership of Laker Airways. This time, however, the effect of the Bill would be to control the overseas activities of non-US companies as well.

The letter said: "If the US introduced legislation which resulted in BP and Shell no longer receiving equitable treatment when applying for US licences, then the British Government would certainly come under strong domestic pressure to retaliate against US companies operating, or wishing to operate, in the UK. Given the very substantial participation of US oil companies in the North Sea ... this is a situation which we very much hope will not arise."

UN chief seeks help to secure Gulf peace

By Andrew Gowers in Geneva

MR Javier Perez de Cuellar, the United Nations Secretary-General, yesterday sought the support of leading world powers in his efforts to break the deadlock in negotiations on ending the Iran-Iraq war.

On the fifth day of direct talks which have made no progress, he briefed ambassadors from the five permanent members of the UN Security Council – the US, Britain, France, China and the Soviet Union – on a compromise, aimed at removing obstacles to agreement on a timetable to consolidate the 10-day-old Gulf ceasefire.

The five were expected to press for concessions from Iraq, which has refused to discuss a troop withdrawal until it obtains guarantees of freedom of navigation in the Gulf and the Shatt al-Arab waterway.

The impasse stems from Iraq's insistence on the navigation issue, which is seen by Iran and by Mr Perez de Cuellar as an indirect way of pre-empting the question of sovereignty over the Shatt al-Arab. But negotiations continued yesterday at official level, and neither side threatened a complete breakdown. Mr Aziz told a press conference that he was prepared for a protracted stay in Geneva.

Mr Aziz said the talks were "still at square one" and blamed Iran for the deadlock. He said agreement on detailed arrangements for a ceasefire at sea was essential before other issues could be discussed. In particular, he is demanding that Iran drop its insistence on the right to search Iraqi shipping, and early clearance of the disputed and blocked Shatt al-Arab.

Mr Aziz claimed that this was not an attempt to prejudge sovereignty over the waterway. But he reiterated that Iraq regards a 1975 agreement providing for shared control as null and void.

To circumvent this controversy, Mr Perez de Cuellar is expected to propose a trade-off between Iran's agreement to stop searching Iraqi shipping in the Gulf and Iraq's agreement to withdraw its troops from the remaining pockets of Iranian territory they hold.

His problem, according to informed observers, is that Iraq believes itself to be in a strong position to press for maximum concessions from the Iranian side. There are also fears at the UN that the Security Council, which threw its full weight behind efforts to secure a ceasefire, does not have the same sense of urgency about the attempt to follow this up with a comprehensive settlement.

UK economy 'set to slow in 1989'

By Ralph Atkins, Economics Staff, in London

THE UK economy will continue to grow strongly this year but will slow in 1989 with little, if any, improvement in the trade gap, according to two surveys released today.

The Confederation of British Industry (CBI), in its August industrial trends survey, says manufacturing output growth is expected to remain strong in the next four months. It plays down fears that industry might hit capacity constraints but warns the strength of sterling has hit export orders.

The CBI survey, covering 1,528 manufacturers during August, shows 20 per cent said export orders were above normal, while 22 per cent said they were below usual. This produced a balance of minus 2 per cent – the first negative balance since April 1987.

Mr David Wigglesworth, chairman of the CBI's economic situation committee, blamed weak export orders on higher exchange rates. "Industry wants to see sterling stable at a competitive level. That is a top priority," he said.

A Financial Times survey of forecasts by 21 independent groups shows economic activity growing by 3.8 per cent this year. This is projected to fall to 2.4 per cent in 1989. The current account deficit is forecast to reach about £10bn ($17bn) this year and in 1989.

The CBI, in an economic forecast accompanying the industrial trends survey, predicts a current account deficit of £11.1bn this year falling to £8.7bn in 1989. Economic growth is expected to slow from 4.2 per cent this year to 3.2 per cent in 1989.

The forecast, survey and the Financial Times' results were compiled before the release last week of trade figures for July and the subsequent 1 percentage point increase in base rates.

The trade figures showed a record current account deficit of £2.15bn – far worse than expected.

Forecasts for growth, Page 4

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	31	88	Dubrovnik	S	29	79	Malta	S	[illegible]	[illegible]	Rhodes	S	[illegible]	[illegible]
Algiers	S	35	95	Edinburgh	R	14	57	Manchester	[illegible]	[illegible]	[illegible]	Rio de J'o	[illegible]	[illegible]	[illegible]
Amsterdam	C	16	61	Faro	S	26	79	Manila	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]
Athens	F	31	88	Florence	F	24	75	Melbourne	[illegible]	[illegible]	[illegible]	Salzburg	[illegible]	[illegible]	[illegible]
Bahrain	F	37	99	Frankfurt	F	29	84	Mexico City	[illegible]	[illegible]	[illegible]	San Francisco	[illegible]	[illegible]	[illegible]
Bangkok	F	33	91	Funchal	C	22	72	Miami	[illegible]	[illegible]	[illegible]	Seoul	[illegible]	[illegible]	[illegible]
Barcelona	F	27	81	Geneva	C	28	82	Milan	[illegible]	[illegible]	[illegible]	Singapore	[illegible]	[illegible]	[illegible]
Beirut	F	33	91	Gibraltar	S	26	79	Montreal	[illegible]	[illegible]	[illegible]	Stockholm	[illegible]	[illegible]	[illegible]
Belfast	C	13	55	Glasgow	R	12	54	Moscow	[illegible]	[illegible]	[illegible]	Strasbourg	[illegible]	[illegible]	[illegible]
Belgrade	F	30	86	Guernsey	F	16	61	Munich	[illegible]	[illegible]	[illegible]	Sydney	[illegible]	[illegible]	[illegible]
Berlin	F	25	77	Helsinki	F	20	68	Nairobi	[illegible]	[illegible]	[illegible]	Tangier	[illegible]	[illegible]	[illegible]
Biarritz	C	17	63	H. Kong	F	31	88	Naples	[illegible]	[illegible]	[illegible]	Tel Aviv	[illegible]	[illegible]	[illegible]
Bombay	F	28	82	Innsbruck	R	17	63	Nassau	[illegible]	[illegible]	[illegible]	Tenerife	[illegible]	[illegible]	[illegible]
Bordeaux	F	21	70	Inverness	R	15	59	New Delhi	[illegible]	[illegible]	[illegible]	Tokyo	[illegible]	[illegible]	[illegible]
Brussels	C	19	66	Islamabad	F	36	97	New York	[illegible]	[illegible]	[illegible]	Toronto	[illegible]	[illegible]	[illegible]
Budapest	F	23	72	Istanbul	F	27	81	Nice	[illegible]	[illegible]	[illegible]	Tunis	[illegible]	[illegible]	[illegible]
B. Aires	F	19	66	Jakarta	F	33	91	Nicosia	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	[illegible]
Cairo	F	32	90	Jersey	F	18	64	Oporto	[illegible]	[illegible]	[illegible]	Venice	[illegible]	[illegible]	[illegible]
Cape Town	F	17	63	Jo'burg	C	17	63	Oslo	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	[illegible]	[illegible]
Caracas	-	-	-	Lima	C	17	63	Paris	[illegible]	[illegible]	[illegible]	Warsaw	[illegible]	[illegible]	[illegible]
Casablanca	C	27	81	Lisbon	C	26	79	Peking	[illegible]	[illegible]	[illegible]	Washington	[illegible]	[illegible]	[illegible]
Chicago	C	23	73	London	F	18	64	Prague	[illegible]	[illegible]	[illegible]	Wellington	[illegible]	[illegible]	[illegible]
Cologne	F	19	66	Los Angeles	F	30	86	Reykjavik	[illegible]	[illegible]	[illegible]	Zurich	[illegible]	[illegible]	[illegible]
Copenhagen	C	22	72	Luxembourg	F	17	63								
Corfu	S	29	84	Madrid	S	26	79								
Dallas	-	-	-	Majorca	S	33	91								
Dublin	F	15	59	Malaga	S	36	97								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Dollar still holds ground

Continued from Page 1

devaluation in the D-Mark.

In addition, a senior Administration official told the New York Times last week that a further rise in the dollar could be troublesome. This is the first time a key official has attempted to talk the dollar lower for some time.

The US authorities believe that there are substantial economic risks in a significant appreciation in the dollar. Many forecasts suggest that there will some deterioration in the trend of the trade deficit in the second half of this year, a major argument for not allowing the dollar to rise too far.

An appreciation of the dollar would also risk relations with America's Group of Seven partners.

The nub of the dilemma faced by the US Federal Reserve is that any further move to tighten monetary policy in response to robust economic growth and inflationary pressures could put further upward pressure on the dollar.

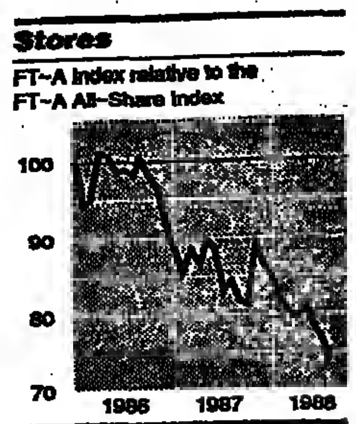
The next flashpoint is expected to be Friday's US unemployment figures for August.

Currencies, Page 27

THE LEX COLUMN

Consuming worries for the retailer

The British addiction to shopping might be a puzzle, but the inability of shopkeepers to benefit from it is surely a greater one. While the shopper's purse has consistently proved bigger than anyone thought, the profits of retailers have turned out smaller. Indeed, the correlation is so marked that a casual observer might almost think one caused the other. In 1986 consumer spending grew 4 per cent, and retail earnings by 22; last year spending grew even faster, at 5 per cent, while earnings growth fell by half. This year, a further acceleration in spending is likely to go with another 50 per cent drop in the rate of retail profit growth. The sector now stands at a 20 year low against the market, and if County NatWest is to be believed, may have at least 10 per cent further to fall in relative terms.



The problems that have landed the retailers in this mess are not new, but they appear to be getting worse. The market is becoming increasingly competitive, and retailers have had to spend more and more on swanky new designs to survive. This has left many companies 50 per cent geared, so that every rise in interest rates hurts. Meanwhile, the continued boom in retail property prices is thumping through to rents; and in the dash for space, retailers are committing themselves to expensive new stores when future prospects may not merit it. To make matters worse, wage costs are rising, while productivity gains are proving difficult to achieve.

One simple economic fact explains much of this: the retail sector is mature, and has finally realised it 15 years too late. The signs of age were disguised in the 1970s by inflation, and in the first half of the 1980s by strong spending; that has made coming to terms with maturity now all the more difficult. The hardest hit so far have been the clothing retailers, which are competing most ferociously, and which have spent even more prodigious sums on refurbishment. Even some of the more successful fashion chains are beginning to complain, and what applies to them is likely to apply to the rest of the retailing sector before long – although perhaps to a lesser degree.

The recent opening of acres of new selling space has aggravated the problem. Space commissioned back in 1984, when it was actually needed, is coming on to the market just as the national effort to curb spending gets into full swing. Last year 20m square feet of new space was opened, four times as much as in 1984, while this year and next year the figure could be higher still.

Given this background it is not surprising that record retail spending figures have not been much of a comfort. If retailers cannot thrive when spending is this strong, a squeeze would really hurt their prospects. However, not even Nigel Lawson himself has the first idea when spending might slow, or how quickly. The ever-confident retailers may reassure themselves that interest rates have proved a poor way of getting at retail spending in the past. But this time things could be different, and not just because of the explosion in consumer credit. Confidence is the key, and after the last five years it may be stretched to the limit.

Shareholder value

One of the more curious aspects of the international corporate arena is why some of the most admired corporations – from a management standpoint – are often so lowly rated in the stock market. This may be because the stock market is taking an unnecessarily short-term view of a company, but it can also reflect a perception that some managements are more concerned about expanding their corporate empire than maximising shareholder value.

In the US it is accepted that corporate share buy-backs can sometimes be more beneficial to shareholders than investing in a new plant, or using the cash flow to diversify into a completely new business. Indeed, it is one way of spotting companies that have shareholders' interests close to their heart. However, despite the prompting of organisations like the Bank of England, this sort of thinking has hardly begun to take root in Europe. In the UK, the rarity of occasions on which companies hand over succesful businesses to their own shareholders, the general reluctance to increase returns by gearing up corporate balance sheets and the unwillingness of most major companies to go through the bother of trying to buy in their own shares indicate that, however hard they may protest otherwise, maximising shareholder value is not the top priority of most companies.

The evidence is even more pronounced on the Continent, and nowhere more so than in Sweden, home of some of the more interesting global companies. Over the next couple of days Volvo and Asea Brown Boveri, Sweden's two biggest companies, will be reporting their half yearly figures. And while their results are not going to be particularly exciting, they are among the major exceptions to what is turning out to be a very good year for Swedish corporate profits. Nevertheless, Volvo and Saab-Scania, which have an enviable reputation in their respective fields, and Electrolux, which is at the forefront in reorganising the world's domestic appliance industry are all trading on prospective earnings multiples of between 5 and 8 – against a prospective market multiple of around 9.

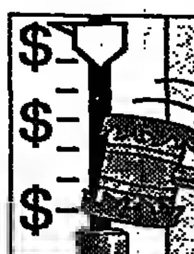
Why are so many well known Swedish companies so poorly rated even though the local stock market has been one of the best performing in Europe this year? Part of it is a result of their dismal share price performance – Volvo, Saab, Asea, Ericsson, Electrolux and Pharmacia have all underperformed the local Swedish market over long periods. This may sometimes reflect a general disenchantment about the prospects for long-term profit growth of the industries in which they operate. Volvo and Saab, for example, are no different in this respect than Ford or General Motors. In other cases – most notably, Pharmacia, Ericsson and Electrolux – there has been understandable concern about their diversification strategies.

There is also evidence that the more liquid, internationally traded Swedish stocks suffer more in a bear market, as foreign investors retreat to the safety of their home markets. However, the main reason why so many Swedish blue chips are so poorly rated has to do with their restricted voting share structures. This severely limits their vulnerability to takeover, and at the end of the day this is the only sure way of ensuring that companies maximise shareholder returns.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday August 30 1988

INSIDE

The bouncing dollar Eurobond



Concerted intervention in recent weeks by central bankers to hold down the US currency has not dimmed investors' appetite for new dollar Eurobonds. Indeed, so great has been the demand that last week yields on the bonds were driven to their lowest level over comparable US Treasury securities in over a year. Last week, five borrowers together raised $950m, one of the most active weeks in this currency for some time. Page 17

Currency swings and factory roundabouts

Large companies should stop treating currency swings as problems and start looking at them as a strategic opportunity to move product sourcing around the world. That is the theory advanced by two Swedish consultants - and their global factory networks could have threatening implications for Europe's luxury car manufacturers. The Business Column, Page 32

The makings of a soap opera

Television facilities company Trilion makes Channel 4's Business Programme. But the company's own brief and colourful stock market career would itself make gripping TV, including a plunge into losses and the resignation of the company's founders. Still, Mr Keith Wilkinson (left), the new finance director, believes that the picture is about to become rosier following the deal that will remove it from London's docklands to the hubbub of Piccadilly Circus. Page 19

Nikko reshuffles the pack

Nikko Securities, Japan's third largest securities group, has carried out a major shuffle of top management and an internal reorganisation that has seen the departure of executive vice-president Mr Tadao Kobayashi and seven other directors. Page 18

Market Statistics

Principal Companies Covered

An over-achiever takes a final bow

Roderick Oram and **Richard Lambert** look at the leading characters in a Wall Street play

Gerry Tsai always was an over-achiever. Before learning to fly a single-engine aircraft, for example, he got his helicopter licence. "Once you know helicopter, single-engine is duck soup," he explained in an interview two years ago.

Trying to master a Wall Street firm in the wake of last October's crash seems, however, to have proved too hard a task for Mr Tsai - who is known more for deal making than for managing.

He had big ambitions for Primerica, the company he reshaped in recent years out of American Can, and he put a brave face yesterday on the $1.7bn takeover yesterday of Primerica by Commercial Credit Corp, itself an aspiring financial services giant led by Mr Sandy Weill. The combined group would, he said, be stronger than ever. But he will take a distinctly subordinate role to Mr Weill, who is one of the most admired company builders and managers in tha financial sector.

The merger is equally poignant for Mr Weill, marking his return to Wall Street, scene of his greatest achievements, after a three year gap. In totally different styles, the two men have blazed adventurons and distinctive careers on Wall Street over the past 30 years. It has been Mr Weill's style, though, which has proved the more enduring.

With three partners, Mr Weill started a brokerage house in 1960 which through the course of more than 20 takeovers in 25 years ended up as Shearson Lehman Brothers, the second largest Wall Street investment banking firm in terms of capital. Success in melding those firms together was widely attributed to Mr Weill's management skills and his insistence on the best back office systems on Wall Street.

After Shearson was taken over by American Express in 1981, Mr Weill tried to make his mark on the new parent. He resigned, though, in mid-1985 after failing to become Amex's chief executive, and spent the next 18 months looking for a new corporate vehicle. BankAmerica turned down his offer to raise $1bn of new capital in return for making him chief executive.

His chance to rebuild came in late 1986 when he and a team of long-standing colleagues took the management reins and a substantial minority equity interest in Commercial Credit, a consumer finance company spun off by Control Data, the computer maker.

Few doubted that Mr Weill's real intention was to use Commercial Credit as a way back to Wall Street. Late last year he came close to taking over E.F. Hutton, which had been badly hurt by the crash. But he was pipped at the post by his old company, Shearson Lehman.

Exit Gerald Tsai (above) and re-enter Sandy Weill after an absence of three years

Now, through Primerica and its recently acquired Smith Barney subsidiary, Mr Weill has made it back to Wall Street.

Although the sale marks a violent change of direction for Mr Tsai, he has often shown himself willing to trade companies in the way that other people trade shares.

"Any business that we have we will keep - as long as it is profitable and meets our objectives," he said last year. "And the day it doesn't meet our objectives, we will sell it."

Yesterday - and not for the first time in his life - he showed that this attitude extended to his whole business empire. Until recently, his epparent goal had been to develop Primerica into a great financial corporation. Approaching 60, and with Primerica's mandatory retirement age of 65 looming on the horizon, it seemed that this was to be his last chance of developing a major business empire.

But last October's crash transformed the picture. Coming just a few months after the $750m acquisition of Smith Barney, tha investment banking and securities firm, the bear market hammered Primerica's stock market status. Earlier this year, there were rumours that Mr Tsai was planning a management buy-out. But instead, he has decided to sell the business.

This is the second time that Mr Tsai's image as a stock market wizard has been dented by a stock market setback. The early 1960s were his all-star years, when he emerged as a hugely successful fund manager with Fidelity. In 1966, he decided to launch his own mutual fund, which pulled in what was then the extraordinary figure of $247m on its initial launch.

But he was to do a lot better out of the fund than his customers. In 1968, after a year of bad performance, he sold out for about $30m to CNA Financial - and his glamourous image disappeared over night.

After a few mixed years with CNA, Mr Tsai moved on to run his own brokerage firm in the 1970s. But it was not until the end of the decade that he began what Business Week magazine was to describe later as a comeback so dramatic that "it verges on reincarnation."

It started in a quiet sort of way, with a move into the insurance industry. In 1982, he again sold out, this time to American Can, which was in the process of diversifying away from its manufacturing base, and he joined the company to take charge of its financial services unit.

Led by Tsai, who by last year had risen to the post of chairman, American Can sold off its paper and packaging assets, and released well over $2bn for reinvestment, mostly in financial services.

A symbolic break with its past came when the company changed its name to Primerica.

Mr Tsai has pulled off some extraordinary financial coups in his time. One recent example was the acquisition of the investment management arm of American General Corp in 1983, a business which in the space of a few years was worth many times the purchase price. But the misfortune of this quietly spoken Shanghai-born financier is that he may be best remembered by the public for two mistakes - getting the stock market wrong in 1968, and again nearly twenty years later.

Cautious Europe provokes bout of American angst

Anthony Harris
in Washington

What a difference half e point can make. A short time ago the Fed threw Wall Street into a shallow depression with this modest rise in interest rates; and last week Bonn threw Washington into a subdued rage by following the Fed's example. Nobody here – not even the usual apologists for German policy – can think of any sensible reason why the Germans, with high unemployment, a huge trade surplus, and almost no inflation, should choose to tighten monetary policy at this time. "Poehl" has now joined "Stoltenburg" as a Washington cussword.

American disillusion with Europe in general, and Germany in particular, is becoming an important political fact. Mr Beryl Sprinkel was for once ahead of his time when he answered a German lecture on American economic sins some time ago by saying: "I see it now. We just need to double our unemployment, and everything will be fine." Since then the continued German failure to deliver on promises of tax reform and expansion has made this impatience widespread, and a German-dominated Europe is seen as wedded to stagnation. One Fed governor was moved to suggest thet when the historians come to assess Mrs Thatcher, they mey conclude that her greatest achievement was to keep Britain out of the European Monetary System.

Over-caution is only one entry in the catalogue of European sins. Farm policy is, of course, a long-standing grievance; only the drought has caused a truce in the quite open US campaign of carefully targeted dumping of subsidised temperate-zone food commodities, aimed to raise the cost of operating the CAP. Feeling on this issue is stronger than ever, though, since the Japanese made some politically difficult efforts to open their own food market, while the Europeans have done nothing. An unpromising start to the Uruguay round.

In policy debates here, Europe is taken as a cautionary example. The main argument against the law imposing 60 days' notice of plant closings was that since this was normal practice in Europe, it must be wrong. The media and even the financial markets are also tending to turn their backs on the Atlantic.

When inward investment is debated, nobody seems to notice that the Europeans, led by the British, are doing most of the buying. Only Asian purchases are seen as e threat and a challenge. In the currency markets, intervention by the Europeans no longer seems to have any effect on speculators; but a word from s US Treasury official, or e whiff of intervention from Tokyo, can still turn the markets.

This estrangement is already damaging European interests. This was clear in the debate over the missile treaty with the Soviets; European reservations over the withdrawal of tactical weapons were heard, but given precious little weight. It is less clear in questions of trade, but the fact that European car exports have suffered a quite disproportionate setback in the last year is suggestive. Price is clearly part of the story, but price has to be measured against perceived value. It is the Japanese who are now seen as the technical leaders, so that European prices which were once seen as acceptable now appear excessive.

After 1992, Europe will 'turn in on itself and become a sprawling, sluggish entity about as relevant to the outside world as the Austro-Hungarian Empire - a decadent pleasure resort.'

If this mood was a passing irritation it would hardly be worth a column. Relations across the Atlantic have always had their ups and downs. This time it could be more serious, though.

Europe is preoccupied with 1992; In America it is widely thought that this will be the date on which Europe finally turns in on itself, and becomes a sprawling, sluggish entity ebout as relevant to the outside world as the Austro-Hungarian Empire – a decadent pleasure resort.

The gleefully expected collapse of the EMS in 1993 will complete this Balkanisation; the map of the relevant world will be centred on the Pacific, not the Atlantic. The west coast made this change in orientation years ago, but it is only now becoming palpable on the east coast too.

You think I am exaggerating? A little, perhaps; but we still have to get through the oext three years. During thst time we will have quarrels over trade and over defence burden-sharing, which could become quite bitter. We will have a lacklustre American President, and that will not help any European leader who wants to make an issue of transatlantic relations.

The financial markets also tell us that this is not just e matter of American feelings; the Japanese picture of Europe seems to be equally unflattering. Oriental good manners make this less explicit, hut the money vote is clear. Japanese investors do not turn much to Europe during their periodic bouts of disillusion with the US market.

The only person who seems to have a chance to check this slide in the next few years is our own Mrs Thatcher. She still has substantial prestige in the US, and if Vice-President Bush wins the election there could be a chance of a promising special relationship. He dearly loves to heve somebody to look up to.

She is no doubt preoccupied with domestic problems et the moment, bnt even these are viewed with some sympathy here. The rudest comment I have encountered is thet of e Wall Street analyst, who remarked that Britain's current problems are very like those of the US in 1985 – an over-valued currency and a domestic credit boom. These tend to be self-correcting in the long run.

The policies that could help ought to come naturally: a determined new drive for fundamental reform of the CAP, an angry assault against European protectionism (against British-made Nissan cars, for a start) and a popular assault on the Brussels bureaucracy. Such issues could readily provoke some loud quarrels in Europe, and a fight in Europe would at least be interesting. Interest is a mnch more promising emotion than contempt. If Mrs Thatcher can quarrel her way back on to the cover of Time Magazine again, my next report on transatlantic relations could be much more interesting.

UK GILTS

An over-abundance of doubt

AS STERLING showed visible signs of cracking last week, the market for longer-dated gilt-edged securities was staring at 10 per cent and feeling decidedly queezy.

The Bank of England's intervention in the foreign currency markets to support sterling and the call by Mr Nigel Lawson, the Chancellor, not to lose one's nerve, sent yields at the long end to above 9.9 per cent.

The market is worried and skittish. It believes current account deficits matter, especially after last week's "Pink Book" revisions to the 1987 trade figures and Thursday's £2.1bn ($3.6bn) July current account deficit figure. Also, it did not like knowing that the Treasury was surprised once again by the strength of demand in the economy.

The market does not appear to believe that 12 per cent base rates are the top of the current interest rate cycle, but the consensus is that 13 per cent may well be, rather than the headline-grabbing predictions of 15 per cent.

Above all, however, it seems likely that the mood of the long end will be conditioned by tho direction of sterling. Whether or not price movements will follow the pound up and down is moot as there are likely to be countervailing forces on the upside and the downside.

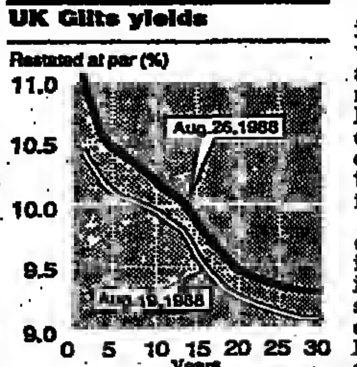
Advances will have to wait until there are clear signs that the effects of the latest interest rates rise have begun to bite. A major fall in sterling, which will be resisted by the authorities, could see prices slide more significantly.

The Bank has been a willing buyer of gilts, so its actions may stabilise the longer end (and pick up some cheap stock) if things get out of hand.

From a short-term trading view, however, it is difficult to be bullish. But for the investor who wants to stay in the market, how does he evaluate the success of the authorities' latest interest rate manoeuvres?

UK Gilts yields

Restated at par (%)



Source: Warburg Securities

The Bank already sees a number of "straws in the wind," which suggests that the Juna to early August tightening was beginning to have an effect on the housing market.

The building societies have said that new commitments, that is, loans negotiated hnt not yet made, are slightly less than the mortgage growth rate in first half, indicating a slackening in demand. This seems to be flowing through to prices. The Royal Institution of Chartered Surveyors' recent survey indicated a levelling off of prices in the over-heated markats of London, South, South-west, and East Midlands.

The abova will remain straws in the wind until the markets get some harder evidence flowing through from the monthly economic releases. The two key ones from tha market's point of view are now the money figures, especially M0, and retail sales.

Tha market has nevar invested M0, a money measure which includes mostly notes and coins in circulation, with much intellectual credibility. It has been seen as a "coincident" indicator, rather than one which says anything particularly interesting about the future.

Its importance now is precisely because it is a coincident indicator of economic activity: it tells us something about the strength of demand in the economy and with a short lag. M0 is being seen by the Bank as an important early warning indicator.

Similarly, the Bank will be monitoring closely retail sales. High street sales comprise about half the value of consnmers' expenditure, so clearly, any moderation in the rate of growth of sales will support the view that the consumer is begining to moderate spending and that the pace of demand overall is slowing.

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Does Britain have a trade problem or an import problem? In the three months to July the volume of UK exports rose 5.5 per cent over the same period a year ago. Contrary to the CBI today, that does not seem to indicate that British exporters are hurting, or losing market share.

In 1986, profit margins accounted for 88 per cent of the rise in output prices; In 1987, margins accounted for 78 per cent of price rises. So far this year the indications are that manufacturers have continued to raise prices and maintain high rates of increase in production and exports.

Last year, labour costs made a negative contribution to price rises. In 1981 they accounted for 77 per cent of the rise in prices.

Simon Holberton

THIS WEEK

US LABOUR market figures are likely to be the most closely watched economic statistics in financial markets this week.

The employment report on Friday will be the first indicator of economic ectivity for August. Last month's figures, which showed a large increase in employment, led to fresh fears of a resurgence in US inflation and were widely viewed as the catalyst for the Fed's decision to raise the US discount rate.

If the latest figures show buoyancy continuing, they could again influence the dollar's short-term path.

The MMS International consensus of analysts' forecasts suggests the unemployment rate will remain unchanged at 5.4 per cent. For non-farm payrolls in August, the MMS consensus points to an increase of 230,000 compared with 283,000 in July.

The index of leading indicators for the US economy in July are released today.

The MMS consensus is for a fall of 0.7 per cent after robust growth last month:

Oil traders will this week be keeping a close eye on Dr Subroto, tha secretary general of the Organisation of Petroleum Exporting Countries, as he shnttles between Tehran and Baghdad in an effort to forge a new Opec production quota agreement.

Any concrete sign that Iran and Iraq will accept his proposal that the two be given equal quotas could send oil prices sharply higher, especially if Dr Subroto feels confident enough to call an emergency Opec meeting.

In Japan, this week hrings a rush of key economic statistics for July. Balance of payments figures are due on Friday, industrial production and unemployment figures today and housing starts on a day yet to be announced.

All of these figures are expected to confirm the prevalent view among economists in Japan that the economy is still growing strongly – perhaps too strongly.

In West Germany, the next batch of securities repurchase (repos) agreements are dne tomorrow, although the Bundesbank will announce its rate today.

At last Thursday's press conference announcing a half percentage point rise in the West German discount rate, Mr Karl Otto Poehl, the Bundesbank president, hinted strongly that the repos rate would not be increased from the current 4.25 per cent this week.

Figures for UK official reserves in August are to be released on Friday.

Other figures and events this week (with MMS International consensus of forecasts in brackets) include:

Today US factory orders in July (fall of 3.5 per cent). Bank of England final money supply figures including full bank and building society figures for July.

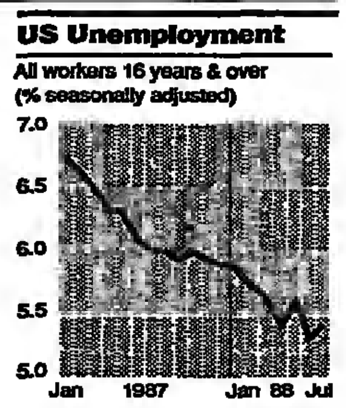
Tomorrow US two-year Treasury note auction. UK overseas travel and tourism figures for June.

Thursday US construction spending in July (0.2 per cent increase).

Friday UK Housing starts and completions in July.

US Unemployment

All workers 16 years & over (% seasonally adjusted)



INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Awaiting jobs data before Labor Day break

HOWEVER STRONG the call of the beach, the barbeque or any of the other traditional pursuits of the Labor Day holiday, US bond traders will have good reason to refrain from adding Friday morning to their coming long weekend.

For this week carries a sting in its tail with the release on Friday of August's employment data, an economic indicator which has come to play a pivotal policy role at the Federal Reserve. Just a month ago, July's figures showing further brisk job creation prompted the central bank to spring a discount rate rise on markets.

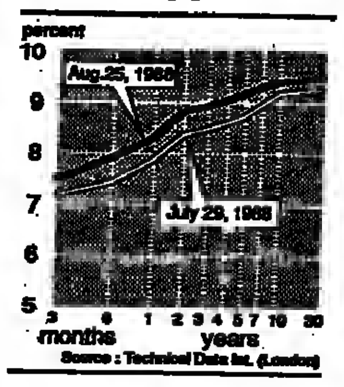
In fact, of the Fed's last six moves to tighten its monetary policy, at least half were triggered by strong jobs data, points out Ms Maria Fiorini Ramirez, chief fixed income economist with Drexel Burnham Lambert in New York.

Wall Street believes the same pattern will be played out with the latest data. Creation of a forecast 280,000 jobs in August, though a touch weaker than the previous month, would still be consistent with an economy growing too fast and with too much inflationary pressure for the Fed's comfort.

Rather than act as precipitously to tighten as it did early this month, the Fed is likely to wait until around September 20 when its policy-setting Open Market Committee next meets. Unless the job figures show a wild rate of growth, the Fed's actions are certain to be more gentle than another discount rate rise. It will increase instead its Fed Funds rate, which banks charge each other for borrowing reserves overnight.

Currently the Fed's target for the Funds rate is around 8 per cent to 8¼ per cent and the next firming would nudge it up by ⅛ or ¼ of a percentage point. Though third-quarter economic growth of between 3.5 and 4 per cent at an annual rate will justify further firming, the Fed will be reluctant to make more than one such politically sensitive move before the election, argues Griggs and Santow, money market economists. Thus the Funds rate will rise to about 8⅜-8½ per cent by November and then to 8½-8⅝ by the year-end.

Scope for these US domestic policy moves was granted last week by the way European central banks increased their interest rates in an attempt to blunt the dollar's rise of recent months.



Source: Technical Data Inc. (London)

The Reagan Administration had been very quiet on the issue until the middle of last week, when a senior Treasury official let the markets know the Government was worried that a rising dollar would undermine the improvement in US trade performance. Foreign exchange traders took note of the words but were far more impressed by the Europeans' actions the following day.

Mr Karl Otto Poehl, Bundesbank president, set the tone. In announcing the increase in West Germany's discount rate, he said: "We will use all our powers to work against a further depreciation of the D-Mark." The Germans promptly acted by leading a heavy round of central bank intervention which pushed down the dollar.

The West Germans' fear that a weaker D-Mark will stimulate their currently low level of domestic inflation looks excessively paranoid to outsiders. But the Bundesbank's determination to throw a lot of money at its perceived currency problem is not doubted. Though intervention works, if at all, only in the short term, foreign exchange markets will probably go easy on the dollar for a while.

The stand-off could last until the next US trade figures, when markets will have a chance to assess US trade performance. If the deficit turns out at about $10bn it would indicate an improving trend and, consequently, a little leeway for a stronger dollar. But if it turns out at $12bn to $13bn, the dollar could suffer.

Clearly, the West Germans want the dollar to fall but, as Salomon Brothers' economists point out: "An uptick in US rates triggered by domestic policy concerns would have the opposite effect. Consequently, the harmony over exchange rate policy that emerged last December seems to be eroding. Renewed policy conflict would threaten a resurgence in currency and interest rate volatility."

There was enough on the home front alone last week to unsettle US bond markets. Worst, was the upward revision in the second quarter's gross national product implicit price deflator by a full percentage point to 5.1 per cent at an annual rate. Such a sharp increase in a key inflation measure knocked bond prices and pushed up the yield on the Treasury's benchmark 30-year bonds to 9.50 per cent, a high for the year so far. Rates eased a touch by the end of the week but the trend is still firmly upwards.

Real growth in the second quarter was revised up to 3.3 per cent at an annual rate from its earlier estimate of 3.1 per cent. Though the increase was only small, there were some nasty elements to it. The rate would have been a full-point higher were it not for the drought. Moreover, final sales (GNP growth minus changes in inventory) increased at an annual rate of 6.2 per cent.

"Most worrisome was a switch of expenditures within the consumer sector itself," said Mr Robert Brusca, chief New York economist of Nikko Securities. "Expenditures on services were reduced from 3.9 per cent growth rate to a rate of 3 per cent. Non-durable expenditures were boosted from a decline of 3 per cent to flat. This change in the composition of consumer spending implies a worse trade performance ahead."

The first clutch of economic statistics this week — new home sales, leading economic indicators and factory goods orders — are all likely to show declines from the prior month. But these figures are all old hat and the markets are not likely to be fooled into thinking they indicate a significant slowing of the economy.

Roderick Oram

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.02	8.20	7.77	8.19	6.27
Three-month Treasury bills	7.33	7.06	6.95	7.40	6.21
Six-month Treasury bills	7.49	7.53	7.33	7.65	5.73
Three-month prime CDs	8.50	8.51	8.20	8.28	6.77
30-day Commercial Paper	8.20	8.15	7.85	7.62	6.57
90-day Commercial Paper	8.40	8.30	8.08	8.05	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	98½	-½	9.25	9.20	8.97
20-year Treasury	99½	-½	9.43	9.42	9.24
30-year Treasury	97	-½	9.43	9.40	9.22
New 10-year "A" Financial	n/a	n/a	10.10	10.10	10.00
New "AA" Long utility	n/a	n/a	10.50	10.50	10.25
New "AA" Long Industrial	n/a	n/a	10.37	10.36	10.20

Source: Salomon Bros (estimates).

Money supply: In the week ended September 7 M1

NRI TOKYO BOND INDEX

December 1983 = 100	25/8/87	Average yield (%)†	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	143.30	4.91	143.33	144.07	142.39
Government Bonds	143.31	4.68	143.53	144.69	143.01
Municipal Bonds	145.44	5.12	145.26	145.74	143.99
Govt.-guaranteed Bonds	146.96	5.10	146.84	147.20	145.39
Bank Debentures	137.40	4.88	137.26	138.05	136.71
Corporate Bonds	144.45	5.47	144.26	143.93	141.86
Yen-denom. Foreign Bonds	147.09	6.35	146.90	144.82	142.24
Government 10-year†	5.29	—	5.23	4.95	4.89

† Estimated par yield

Source: Nomura Research Institute

Merrill's contested offering goes ahead

By Our Euromarkets Staff

MERRILL LYNCH International has succeeded in making a hotly-contested $50m three-year offering for Royal TrustCo interchangeable with an identical offering launched in July, in spite of the objections of a competing firm.

However, the victory is a hollow one for Merrill, whose actions provoked howls of protest even from firms which originally agreed to help it underwrite the offering.

For one thing, the securities will not become fully fungible for at least four months, meaning that the issue will for some time be less liquid than originally expected.

Merrill's actions also provoked remonstrations from normally reticent industry officials.

Merrill said that 16 of the 20 original members of the underwriting syndicate had stayed in its deal. Merrill won agreement from the two main international clearing agencies, Euroclear and Cedel, to assign a single security reference number for both sets of bonds.

UBS Securities, underwriter of the initial $100m tranche, strongly objected to making the two deals fungible, arguing that there was no clause in the original bond prospectus allowing for the issuance of more securities.

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
A.B.N. 8½ 92	100	97½	-½	9.50
AETNA LIFE & CAS 7½ 16	100	95	-½	8.41
AHFC O/S FIN. 11½ 96	100	101½	+½	11.34
A.I.D.C. 11 89	75	100½	-½	9.92
ALBERTA PROVINCE 7½ 91	750	94½	-½	9.34
ALCOA AUSTRALIA 11 92	80	100½	-½	10.71
AUSTRALIA 11½ 90	100	102½	-½	9.80
AUSTRALIA 11½ 00	100	107½	-½	10.13
AUSTRIA 7½ 97	200	87½	-½	10.00
AUSTRIA 8½ 90	250	98½	-½	9.19
BANK OF TOKYO 8½ 96	100	90½	-½	10.13
BANK OF TOKYO 11 90	125	102½	-½	9.71
BANK OF TOKYO 11½ 93	100	104½	-½	9.58
BANK OF TOKYO 13½ 89	100	104½	-½	9.46
BARCLAYS JERSEY 10½ 90	250	100½	-½	9.59
BARCLAYS JERSEY 10½ 95	150	102½	-½	10.02
BELGIUM 7½ 91	100	94½	-½	9.67
BELGIUM 7½ 91	200	95½	-½	9.62
BELGIUM 9½ 92	400	98½	-½	9.80
BETAWEST PROP 7½ 95	100	92½	-½	9.80
B.F.C.E. 7½ 93	100	90½	-½	9.74
B.F.C.E. 7½ 97	150	87½	-½	10.02
BK NOVA SCOTIA 7½ 91 SW	250	95½	-½	9.90
B.N.P. 8½ 93	125	95½	-½	10.07
B.N.P. 13½ 89	150	103½	-½	9.55
BP CAPITAL 9½ 93	150	100½	0	9.51
BP CAPITAL 11½ 92	150	103½	+½	9.96
BR.COL.HYDRO 11½ 93	200	107½	-½	9.82
CAMPBELL SOUP 10½ 95	100	103	+½	9.89
CANADA 10½ 88	500	100½	0	9.73
CANADA 11½ 90	500	102½	-½	9.36
CANADIAN PACIFIC 7½ 96	100	86½	0	10.02
CANADIAN PACIFIC 10½ 93	100	102½	-½	10.15
CANADIAN PACIFIC SECS 15 89	75	104½	-½	10.01
C.C.C.E. 7½ 91	113	93½	-½	9.58
C.C.C.E. 9½ 95	300	97½	0	9.82
CENTRUST SAVINGS 0 10	1,288	11½	0	10.79
CEPME 7½ 92	125	93	0	9.63
CHEVRON CORP 8½ 96	300	91½	0	9.98
CITICORP 11½ 92	100	100½	-½	11.31
COLGATE-PALMOLIVE 9½ 96	100	97½	-½	10.03
COMM BK AUSTRALIA 10 93	100	101	-½	9.74
COMM BK AUSTRALIA 12½ 89	100	102½	-½	9.63
COMMERZBK O/S FIN 8½ 92	100	97½	-½	9.55
CONTINENTAL GRP 11½ 93	75	96½	-½	12.55
COUNCIL EUROPE 8 96	100	89½	-½	9.93
CREDIT FONCIER 7½ 94	150	90½	-½	9.76
CREDIT NATIONAL 7½ 92	100	93½	0	9.40
CREDIT NATIONAL 8½ 93	100	94½	-½	9.68
CREDITANSTALT 8½ 91	150	97½	[illegible]	[illegible]

	Issued	Bid price	Chg on week	Yield
ONTARIO HYDRO 10½ 90	250	101½	-½	9.40
ONTARIO HYDRO 11½ 89	200	101½	-½	9.70
ONTARIO HYDRO 11½ 94	200	107½	-½	9.79
ONTARIO HYDRO 11½ 90	200	104½	-½	9.37
ONTARIO HYDRO 13½ 91	100	108½	-½	9.49
ONTARIO HYDRO 14½ 89	150	105	-½	9.70
ONTARIO HYDRO 15 92	150	116½	-½	9.70
OSTER KONTROLLBANK 8½ 93	200	94½	-½	9.68
OSTER KONTROLLBANK 9½ 92	100	98½	-½	9.48
PACIFIC GAS & ELEC 12 00	75	100	-½	10.72
PENNEY J.C. 12½ 91	100	104	0	11.15
PEPSICO INC 7½ 93	200	91½	-½	9.56
PEPSICO CAPITAL 8½ 91	100	97½	-½	9.41
PETRO-CANADA 7½ 96	200	85½	-½	9.96
PHILIP MORRIS 9½ 98	200	97½	-½	10.21
POSTIPANKKI 11½ 90	75	101½	0	9.72
PROCTER & GAMBLE 10 95	150	101½	0	9.75
PRU.RLTY.SECS. 0 99	365	36	-½	10.33
QANTAS AIRWAYS 8½ 96	97	92½	-½	10.03

CONVERTIBLE BONDS	Issued	Bid price	Chg on week	Prem
AMERICAN BANKERS 5½ 01	75	83½	-½	36.41
ARGYLL GROUP 4½ 02	60	92½	-1	51.96
BOND FINANCE 6 98 £	125	101	-2½	0.00
CANON 3 00	100	210½	-19½	-2.16
EASTMAN KODAK 6½ 01	300	100½	-1½	20.68
ELDERS IXL 5 97	75	109½	-3½	-16.03
FUJITSU 3 99	180	278½	-15	-2.67
GIBRALTAR SAVINGS 7½ 06	100	41½	-½	119.61
GRACE (WR) 6½ 02	150	80½	-1½	40.92
GRAND MET 6½ 02	100	117½	-1½	18.29
INTL PAPER 5½ 92	200	103½	-1½	29.87
LYCB 1½ 02	200	105½	-1½	1.22
MCA 5½ 02	300	78½	-1½	36.05
MITSUBISHI BK 1½ 02	300	107	-1½	-1.95
NEWMONT MINING 7 01	100	105½	-1	20.74
NIPPON ELECTRIC 2½ 00	150	303	-18½	-0.92
NISHI NIPPON 2½ 03	70	113	-2½	-0.21
ROCKEFELLER CENTER 0 08	952	28½	+½	-48.15

BOND WARRANTS	Expiry Date	Bid price	Chg on week	Yield
AVON CAPITAL 9 93	09/04/89	2	0	8.92
CREDIT SUISSE FAN 11½ 92	13/02/92	40	0	10.27
DEN NORSKE CREDIT 8 94	02/03/90	2	0	7.94
DEN NORSKE CREDIT 8½ 96	08/08/89	2	0	8.21
DENMARK 12½ 92	31/01/90	77	+10	9.93
FINNISH EXP CREDIT 12½ 91	21/11/89	75	0	9.89
GEN ELEC CRED 9½ 92 B	17/12/92	10½	0	9.18
GMAC 8½ 95 B	11/02/91	12	0	8.48
HEINZ H.J. 7½ 96	01/10/90	3	0	7.45
MITSUBISHI FIN 12½ 91	08/11/89	62	0	10.22
NORDIC INV BANK 7½ 96	30/10/91	4	0	7.80
ROYAL BK CANADA	28/01/90	89	0	10.31
WESTPAC BANKING 12½ 92	31/01/90	60	0	10.63

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on AIBDTAB

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Canadian borrower holds the limelight

CANADIAN CORPORATE borrowers have not been frequent visitors to the international loans market, certainly not when compared with their southern neighbours, so the launch last week of a $1bn financing for Canadian Pacific Enterprises caused quite a stir.

The borrower is the holding company of Canadian Pacific's non-transport interests. The borrowing is being put together by the Royal Bank of Canada, which is syndicating it, with Bank of Montreal and J.P. Morgan as joint arrangers.

The eight-year facility incorporates a Canadian-style note issuance facility (which involves the issuance of five-year notes with six-month put options) of up to $300m. The financing, which is over eight years, carries a facility fee of 8 basis points, a margin over London interbank offered rates of 10 basis points for the first three years and 12½ basis points for the remaining five.

Utilisation fees start at 2½ basis points for drawdowns of between 34 and 66 per cent, rising to 5 basis points if more than 67 per cent used.

The borrowing is intended for use as a standby for other short-term financing programmes, and will allow the company to reorganise its bank lines of credit.

Since the borrower has presumably weighed the costs of alternatives and provided the CP Enterprises deal is adjudged a success, some bankers see Canadian corporate borrowers as the next national group to line up multi-option facilities.

Italy's Mediocredito Centrale, the central government funding vehicle for the medium-term credit institutes, is raising L300bn which is drawable in D-Marks or US dollars. Chase Manhattan is raising the financing, which will be drawn down 150 days after signing. The final maturity of the financing is somewhat over seven years, although the average life is shorter, and the margin on the transaction is 15 basis points over Libor for three years and 20 basis points after that. Front-end fees start at 12½ basis points for a commitment of L35bn and co-lead manager position.

A $270m financing was signed in London last week for Pohang Iron and Steel, the South Korean steel prodncer known as Posco, arranged by Citicorp, DKB Asia, KEB (Asia), Mitsnbishi Trust and Mitsui Trust. The eight-year loan with a three-year grace period was in three portions: a conventional $84m loan carrying a apread of 18¾ basis points over Libor for the first five years and 25 basis points after that; a $135m full Japanese tax-spared loan carrying a margin of 2 basis points; and a third tranche of a limited Japanese tax-spared loan open only to Japanese banks with Korean offices. It carried a margin of 12½ basis points for two years rising to 18¾ basis points for the remaining six.

Posco, now privatised though still with a 35 per cent government stake, is the first Korean borrower this year to tap the international loans market in such size. The South Korean Government is prepaying significant foreign debt.

Volkswagen is expected to enter the Eurocommercial paper market next month with a programme of limited size, and J.P. Morgan, Dentsche Bank and UBS Securities appointed as dealers.

A $750m programme for Postipankki has been expanded to $1bn, Yamaichi added as dealer to the three-bank gronp, a Euroyen option added and the possible maturities extended out to three years. Merrill Lynch arranged the original programme.

A $200m Eurocommercial paper programme has been arranged by Kleinwort Benson for Fujitsu International Finance, with a sterling option.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,660.2	0.0	200.0	9,686.6
Prev	2,076.3	0.0	100.0	9,289.3
Other	1,474.3	139.0	410.2	2,542.3
Prev	604.8	5.6	662.1	1,194.1
Secondary Market				
US$	13,600.6	2,059.5	5,075.6	6,032.1
Prev	14,617.1	1,203.5	5,061.2	6,215.2
Other	14,382.2	970.3	5,314.8	20,497.4
Prev	15,295.1	1,111.1	6,207.9	22,222.2
	Cedel	Euroclear	Total	
US$	10,337.9	27,976.7	38,314.6	
Prev	11,600.7	26,961.9	38,562.6	
Other	20,949.7	24,780.8	45,730.5	
Prev	20,708.1	26,594.8	47,302.9	

Week to August 25, 1988 Source: AIBD

INTERNATIONAL BONDS

Heavy demand depresses yields on Eurodollar issues

FOR THREE months now, the supply of new dollar Eurobonds has fallen short of the demands of international bond investors clamouring for the combination of high coupons and currency gains that dollar securities promise.

Indeed, this demand last week pushed Eurodollar bond yields to their lowest level over comparable US Treasury securities in more than a year, while several new issues emerged and more borrowers lined up to tap the markets.

Last week, five borrowers together raised $950m, certainly the most active week in this currency in some time. The activity is even more unusual considering it occurred during what is traditionally the slackest period of the year, Christmas apart.

Two banks, one Japanese and the other French, are said to have assigned mandates for dollar Eurobonds and a long-standing offering for Qantas, the Australian airline, remains pending.

Indeed, several institutional investors say they have put off buying dollar Eurobonds because spreads have become so tight there is simply little value to be earned by buying seasoned issues. In particular, demand for five-year dollar bonds has been heavy from Japanese portfolio managers who have viewed the stable dollar/yen exchange rate in recent months with relief.

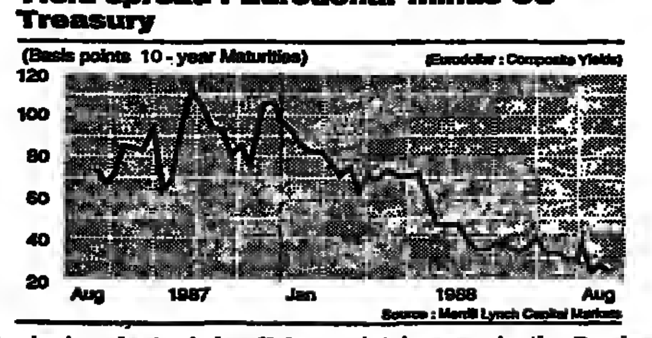
Nomura International last week was able to place in Japan about a third of a $200m seven-year offering for a unit of Banca Nazionale del Lavoro, a name that, in Europe, does not sell as well as some other government-owned banks.

"Last year these investors wouldn't touch a dollar bond with a barge pole," said one portfolio manager.

But whether that kind of demand can continue in the face rising interest rates around the globe and an expanding US economy is an open question.

"Our general view is although investors have a lot of cash to put into the market, the dollar is a currency that has to depreciate," said Mr Simon Hard, branch manager at Julius Baer Investment Management. His portfolio has now been slightly underweighted in dollars after having been slightly overweighted until recently.

Yield spread : Eurodollar minus US Treasury



Source: Merrill Lynch Capital Markets

Rates in the US are expected to rise in order to choke off the kind of overheating that was demonstrated by last week's revised second-quarter GNP deflator. Instead of the 4.1 per cent originally reported, the deflator grew at a 5.1 per cent rate, suggesting that inflation is on a genuine upswing.

Institutional investors have been buying dollar bonds all year, partly because any capital losses caused by rising US interest rates could be more than offset by capital gains from the dollar's appreciation.

But now, the US's major trading partners seem determined to hold the dollar in check. In addition to a half-point increase in the Bundesbank's key discount rate, Mr Karl Otto Poehl, Bundesbank president, delivered an uncharacteristic broadside to the US currency, pronouncing it out of line with what had been agreed to by the Group of Seven nations in the Louvre Accord.

Furthermore, he said, its strength threatened to undo all the progress to date on redressing world trade imbalances.

But there is a large enough body of investors who, at least for the the present, want new issnes of dollar-denominated bonds to keep coming.

If anything, investors bemoan the absence of high-quality, liquid issues in dollars, saying that some of what has been offered is not of a sufficient standard to meet their clients' guidelines.

"Our clients are much more likely to demand quality now than they were a few years ago," said Mr Christopher Allen, a portfolio manager at Nomura Capital Management Inc. While the quality of a borrower is frequently easily measured by a public credit rating, liquidity is more difficult to gauge.

While the size of an issue is often a good guide to liquidity, the make-up of a management group must also be taken into consideration, say portfolio managers. Institutional investors worry about bonds performing poorly because they are left on the books of underwriters, or because they will be locked in the portfolios of retail clients who will not trade them.

Liquidity appeared the goal of several issues launched last week. On Friday, J.P. Morgan Securities increased for the second time its 9¼ per ceot seven-year bond issue for AAA-rated Electricité de France, guaranteed by the French Government.

Also on Friday, Swedish Export Credit issued a $200m three-year bond via IBJ International with a 9½ per cent coupon priced to yield 42 basis points over US Treasuries.

● The four Japanese firms which underwrite equity warrant Eurobonds plan to offer an abbreviated calendar of new issues until the end of September. While plans have not taken the form of the more formal moratorium earlier this summer, the firms agree that the securities cannot be offered in current conditions at a level which is profitable for both borrower and underwriter.

Coupons on securities issued last week ranged from 4¾ to 5⅛ per cent, a level which, after proceeds are swapped into yen, is only marginally more attractive than tapping the yen bond markets outright.

Nomura International is expected to offer two issues this week, each for $50m with coupons above the 5⅛ per cent seen on its most recent small deals. Daiwa Securities is expected to offer four new deals – two for over $200m – over the next two weeks.

Euromarkets Staff

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Kinki Nippon Railway‡◆	200	1993	5	5⅝	100	Nomura Int.	5.625
Jujo Paper‡◆	200	1992	4	4¾	100	Nikko Secs (Europe)	4.750
Sumitomo Metal Ind.‡◆	500	1992	4	4¾	100	Daiwa Europe	4.750
Venezuela (a)‡◆	100	1993	5	1⅞	100	Samuel Montagu	-
Shiseido Co.‡◆	200	1992	4	4¾	100	Daiwa Europe	4.750
Iwatani Int. Corp.‡◆	100	1992	4	4¾	100	Yamaichi Int.(Eur)	4.750
Tokyo Tatemono Co.‡◆	100	1992	4	4¾	100	Yamaichi Int.(Eur)	4.750
Tokyo Keiki Co.‡◆	50	1992	4	5⅛	100	Nikko Secs (Europe)	5.125
Kawashima Textile‡◆	50	1992	4	5⅛	100	Nomura Secs.	5.125
IBJ Finance◆	300	1992	4	9⅝	101.45	IBJ Int.	9.176
Sumitomo Bk Cap.Mkts◆	150	1992	4	8⅝	101.35	Goldman Sachs Int.	9.206
Royal Trustco (e)◆	50	1991	3	9⅛	100¼	Merrill Lynch	9.026
Lavoro Bank O'seas◆	250	1995	7	10	101¾	Nomura Int.	9.645
Hankyu Corp.‡	200	1992	4	(4¾)	100	Daiwa Europe	★
Nissho Corp.‡	120	1992	4	(5)	100	Nomura Int.	★
Itoman & Co.‡	230	1992	4	(4⅞)	100	Nomura Int.	★
Sabre IX (h)‡◆	52	1993	5	25bp	100.10	Yamaichi Int.(Eur)	-
Swedish Export Credit◆	200	1991	3	9½	101¼	IBJ Int.	8.006
Sabre X (h)‡◆	24	1992	4	25bp	100.10	Yamaichi Int.(Eur)	-
CANADIAN DOLLARS							
State Bk Sth Australia◆	100	1991	3	10⅞	101¼	Chase Inv. Bank	10.369
Akzo◆	60	1991	3	11	101⅝	Amro Bank	10.443
AUSTRALIAN DOLLARS							
NordLB Luxembourg◆	50	1991	3	13½	101¾	Norddeutsche LB	12.762
Sanwa Australia‡◆	100	1993	5	(f)	100.10	Sanwa Int.	-
Ford Motor Credit Corp◆	75	1990	2	13⅜	101¼	Wood Gundy	12.629
NEW ZEALAND DOLLARS							
Toshiba Int. Fin.◆	60	1991	3	14	101⅞	Hambros Bank	13.203
D-MARKS							
Senko Co.‡	130	1993	5	(1½)	100	Bayerische Vereinsbk	★
SWISS FRANCS							
Teikoku Sangyo Co.★★‡◆	60	1993	-	1¾	100	Credit Suisse	1.750
Aoyama Trading Co.★★§◆	140	1993	-	⅜	100	SBC	0.375
Thesing Int.Fin.(d)‡	25	1993	-	(3½)	(100)	TDB Amex Bank	★
ABS Pumpen (d)★★‡◆	25	1993	-	3¼	100	Bank Julius Baer	3.250
Nichiban Co.★★§	40	1993	-	(½)	100	Credit Suisse	★
Showa Tansan Kaisha★★§	25	1993	-	(½)	100	SBC	★
Tobishima Corp.★★§	300	1993	-	(½)	(100)	Citicorp Inv. Bank	★
Toyo Communication★★§	70	1993	-	(½)	(100)	B.della Sviz.Italiana	★
Energy Support Corp.★★§	35	1993	-	(½)	100	Bank Julius Baer	★
Kanebo Ltd.★★‡	200	1993	-	(1¾)	100	SBC	★
STERLING							
Alliance & Leic.(m)‡◆	200	1993	5	⅛	100	UBS (Secs)	-
LUXEMBOURG FRANCS							
Club Mediterranee★★◆	300	1990	2	7¼	100⅛	Krediatbank Int.	7.181
FRENCH FRANCS							
Commerzbank O'seas Fin.◆	500	1992	4	9	101⅝	Credit Lyonnais	8.504
DANISH KRONER							
Nordic Inv. Bank◆	300	1991	3	0	78¼	Den Danske Bank	8.519
YEN							
Toronto Dom. Bank(b)◆	4bn	1992	4	7½	101⅝	Goldman Sachs Int.	7.020
Toronto Dom. Bank(c)‡◆	5bn	1992	4	40bp	101⅝	Nippon Credit Int.	-
Bank of Greece◆	20bn	1998	10	5.8	101	Daiwa Secs.	5.850
CITIC (g)◆	15bn	1993	5	5¼	101⅞	Nikko (Singapore)	4.819
ONGC of India◆	20bn	1998	10	5.9	100½	Nomura Secs.	5.918
Bergen Bank (j)◆	6bn	1993	5	7	101¾	County NatWest	6.578
Girozentrale-Vienna(k)‡◆	10bn	1995	7	-55bp	100.35	IBJ Int.	-

★Not yet priced. ★★Private placement. ‡Floating rate note. ‡With equity warrants. §Convertible. ◆Final terms. a) 1⅞ over 6m Libor. b) Redemption linked to Nikkei stock index. c) 40bp over Japanese long-term prime rate. Redemption linked to Nikkei stock index. d) With warrants if company goes public. e) To become fungible with earlier issue. f) Mean of 3m Australian bank bill rate minus 30bp. g) Launched in Asia. h) 25bp over 6m Libor - backed by exwarrant bonds. j) Bull/bear issue Y3bn each tranche. Redemption linked to Nikkei stock index. k) 55bp below Japanese long-term prime lending rate. Fixed every 6 months. m) ⅛ over 3m Libor. Minimum coupon 5%. Note: Yields are calculated on AIBD basis.

UK banks urged to use Basle concession

By David Lascelles, Banking Editor

UK BANKS should consider making use of a concession granted by the Basle Committee in its recent definition of capital adequacy, according to Salomon Brothers, the US investment banking group.

The committee agreed to allow banks to include non-cumulative preference shares in their core capital, the key element of the balance sheet which determines how fast banks can grow.

Although this concession was made with a view to US banks which have made use of this form of capital, Salomon believes UK banks could take advantage of it as well.

Mr William Vincent, the firm's banking analyst, says in a new report that this form of capital has three advantages:

- banks could issue it in currencies other than sterling and thereby diversify the currency mix of their core capital.
- the proceeds of such an issue could be used to boost Third World debt provisions without affecting banks' capital ratios.
- preference shares would enable banks to improve their capital position without tapping the equity market.

Mr Vincent says that the absence of a developed market in non-cumulative preference shares in the UK might appear to be an obstacle.

But he points out that the market for perpetual floating-rate notes grew from nothing to tens of billions of dollars in only a few months in its heyday two years ago.

To qualify as core capital, the Basle Committee said the preference shares must be non-cumulative. This means that the issuer has no obligation to make catch-up payments if dividends are interrupted for any reason. The committee reasoned that this made them similar to equity.

Mr John Ginarlis, banking analyst at Banque Paribas Capital Markets, proposes that banks should announce a 10-year moratorium on new equity and loan stock issues in order to help boost the bank share sector, which has been depressed by expectations of heavy capital demands.

Italian bank withdraws from Irving bid battle

By James Buchan in New York

THE YEAR-LONG campaign by Bank of New York to take over its cross-town rival, Irving Bank, was boosted yesterday with the news that Banca Commerciale Italiana (Comit) had withdrawn as Irving's defensive ally.

Stock in Irving rose $1⅛ to $68⅞ on the news yesterday morning. Wall Street believes that Irving, which has doggedly resisted BNY's approaches since last September, will be forced by the Milan bank's defection into entertaining its Manhattan rival's offer, currently worth $1.3bn or about $71 a share.

Banca Commerciale's decision to drop its $840m plan to take a 51 per cent stake in Irving had been expected on Wall Street since a dramatic and politically troublesome intervention by the US Federal Reserve 10 days ago. The Fed, which regulates the US banking industry, told Banca Commerciale on August 19 that it considered the group's Italian state parent, Iri, as a bank holding company under US law.

Therefore, the Fed said, Iri must supply financial information on its far-flung industrial and commercial operations.

Banca Commerciale said yesterday: "As a matter of Italian law, Iri is a government instrumentality and not a company and, therefore, it would be inappropriate for it to file with the Fed."

Comit's decision leaves the initiative firmly with BNY, which has pursued Irving despite repeated setbacks in the courts and in the stock market. BNY is currently offering $15 in cash and 1.575 of its own shares for every Irving share, or about $71, while Comit offered $84 a share for 51 per cent of Irving.

John Wyles in Rome adds: The unexpected end to Comit's bid for Irving has left some bitterness in Italian banking circles at what is being seen as a blatantly protectionist use of the Bank Holding Act by the Federal Reserve. Its most obvious impact could be to prevent four of Italy's most important banks from acquiring banking assets in the US.

Comit, Banca di Roma, Credito Italiano and Banco Santo Spirito are all controlled by Iri, although the holding company maintains they have absolutely independent management.

Judge in surprise Ariadne deal

By Chris Sherwell in Sydney

MR BRUCE JUDGE, the New Zealand entrepreneur pulverised by last October's stock-market crash, has acquired a 19.9 per cent stake in Ariadne, formerly his principal Australian company, through a surprise deal with Mr Larry Adler's FAI Insurances.

An FAI announcement to the stock exchange yesterday said it had sold 146m of its 196.4m Ariadne shares to Mr Judge's Magenta Holdings for 58 Australian cents a share – fully three times the ruling market price of 19 cents.

FAI acquired the 146m shares as the huge shortfall of a one-for-two rights issue by Ariadne which FAI underwrote earlier this year at 50 cents a share. It picked up its remaining holding separately.

Initial reaction to yesterday's deal was mystification, particularly over the price paid for the block of shares. The A$84.7m (US$68.9m) proceeds will leave FAI with a clear profit on its involvement in Ariadne.

FAI was quoted as saying it had decided to sell the shares after Ariadne's other principal shareholder, the Bank of New Zealand, decided not to support two alternative share issue proposals designed to raise at least A$100m. FAI indicated it had been willing to underwrite the issues.

Magenta was said to have paid an initial cash deposit of A$4.7m for its shares. Another A$50m is due within 15 days. At that point Mr Adler's representatives on the board are expected to stand down.

They came on to the Ariadne board in March, when Mr Judge resigned and Ariadne disclosed one of the largest corporate losses the country had seen – a net deficit of A$509m for the six months to December 1987.

Ariadne had complicated financial links with Judge Corporation in New Zealand and the associated Impala Pacific in Hong Kong, and with a network of other companies.

The proceeds of the rights issue underwritten by FAI, for example, went towards a A$160m purchase of shares in Renouf Corporation from FAI. This concluded a contractual obligation arising from a put option agreed just before the crash, when FAI had acquired the Renouf shares. The Renouf share price later fell to a fraction of its pre-crash levels.

Gambro 17% ahead at halfway stage

GAMBRO, the Swedish manufacturer of kidney dialysis and intensive care equipment, showed a 17 per cent rise in profits (after financial items) to SKr146.7m ($22.9m) in the first six months of this year. Sales increased by 9 per cent to SKr1.42bn, writes Sara Webb in Stockholm. Gambro expects the "favourable income trend" to continue during 1988.

Profits were held in check by the group's lossmaking operations in the US, where Gambro and Hospal, the recently-acquired Swiss-French kidney dialysis company, both have subsidiaries.

Gambro said it was merging the two subsidiaries and would implement a cost-cutting programme in the US aimed at trimming the overheads and overlapping administration. It expects the US business to return to profit in 1989.

Otherwise, Gambro said the merging of its operations with those of Hospal were going according to plan and that developments in the European market were favourable.

Directors go in Nikko Securities shake-up

By Ian Rodger in Tokyo

NIKKO SECURITIES, Japan's third largest securities group, has carried out a major shuffle of top management and an internal reorganisation that has seen the departure of Mr Tadao Kohayashi, executive vice-president, and seven other directors.

Nikko said the moves were aimed at rejuvenating management and tightening administration. They follow an almost identical shake-up at Nomura Securities, the leading Japanese broker, last November, when eight ageing directors were eased out in favour of younger men.

The Nikko moves come at a difficult time for Japanese stockbrokers. They are facing increasing pressure to take steps to prevent improprieties in operations, such as setting up "Chinese walls," and procedures to stop insider trading.

As part of the Nikko reorganisation, a new corporate fund management department has been set up to prevent possible leakage of corporate information.

Nikko is the lead broker for Sankyo Seiki, the company in the middle of a scandal over purchases of its shares by some of its employees and others in advance of a purchase by Nippon Steel of 18 per cent of Sankyo Seiki shares.

Also, the big brokers are about to complete their fiscal years to September. Nikko is among those expected to report reduced profits.

First Boston, Crédit Suisse consider link

FIRST BOSTON of the US and Crédit Suisse of Switzerland confirm they are discussing the creation of a global investment banking firm by combining the businesses of First Boston and Financière Crédit Suisse First Boston, jointly owned by the two companies, into a single private company, writes Janet Bush in New York.

The deal would involve the buyback of First Boston common shares owned by the public.

Rembrandt details non-S Africa moves

By Jim Jones in Johanessburg

REMBRANDT, the South African tobacco and liquor group, is to hive off its non-South African assets into a Luxembourg company which, in turn, will be wholly-owned by a Swiss holding company.

The separation of the company's international operations, which account for some 45 per cent of group profits and include a one-third share in Rothmans International in the UK, from its South African businesses was first announced earlier this summer.

The move is designed to lay the ground for further developments in Europe as 1992 approaches and to ensure that control of the highly secretive Rembrandt group remains in the hands of the founding Rupert and Hertzog families.

Mr Johann Rupert, a director of Rembrandt, yesterday described the reorganisation as complicated and said that it was designed for tax efficiency – to limit the effects of withholding taxes.

The restructuring involves putting Rembrandt's interest in Rothmans International, its 20 per cent interest in TransAtlantic Insurance Holdings and other thus far undisclosed interests into Richemont SA, a company incorporated in Luxembourg. Richemont will be merged with another management company, Business Control, and Richemont's voting shares will be wholly-owned byCompagnie Financière Richemont (CFR), a Swiss-registered company.

Mr Rupert said Richemont, which will have no South African assets, will be the operating company and develop the group's European interests, financed when necessary by the issue of CFR's paper. This will be done in a way that ensures the interests of the A and B shareholders are diluted in equal proportions.

For the year ended March 1988, the Rembrandt group made a pre-tax profit of R624m ($259m), up 28 per cent on 1986-87. Analysts believe the group's international portfolio, which includes luxury branded products like Dunhill and Cartier, to be worth around $1bn.

Samancor to increase ferro-chrome capacity

By Our Johannesburg Correspondent

SAMANCOR, South Africa's largest ferro-alloys maker, reports higher first-quarter profits and plans to increase its ferro-chrome capacity. The company also says it is considering establishing a stainless steel manufacturing facility.

The company is to add a further 60,000 tonnes capacity to its 49 per cent-owned Tubatse ferro-chrome plant by the third quarter of next year. Tubatse's present annual production capacity is 150,000 tonnes, which is to be increased to 210,000 tonnes when another furnace is brought on stream in the first quarter of 1989.

Higher ferro-chrome, ferromanganese and manganese ore prices combined with a weakening rand and stronger demand to lift first-quarter turnover to R298m ($121.6m) from R204m in the corresponding 1987 quarter. Pre-tax profit was R98.2m against R55.5m.

Group turnover totalled R913m in the financial year ended March,1988 and the pre-tax profit was R234m.

Finnish bank lifts profits

UNION BANK of Finland (UBF), one of Finland's two leading commercial banks, reports consolidated pre-tax profits of FM742m ($167m) for the first six months of 1988, up 17 per cent on the same period in 1987, writes Olli Virtanen in Helsinki. Profit after tax rose by FM98m to FM657m.

The improved result, said Mr Mika Tiivola, chief executive, was due to steady income growth.

The bank's return on equity at year level was 15.1 per cent, which compares with 13.5 per cent at the end of the year. Consolidated earnings per share for January-June stood at FM2.42, up from FM2.26 a year earlier.

GB-Inno boosts stake in Scotty's

By William Dawkins in Brussels

GB-INNO-BM (GIB), the internationally ambitious Belgian supermarket group, yesterday announced it had increased its stake in Scotty's, the Florida-based chain of home improvement stores, from 29.3 per cent to 42.7 per cent.

GIB, Belgium's largest supermarket group, paid BFr1.2bn ($30.6m) cash for the shares. They were sold by 70-year-old Mr James Sweet, who founded Scotty's in 1924 and has now retired from the board. Following his departure, Scotty's board is joined by Mr Diego de Monceau, managing director of GIB, and Mr Ron Rashkow, president of Handy Andy, another US home improvement group, in which GIB has a 65 per cent stake.

"This represents a significant reinforcement of the GIB group's position on the US home improvement market," said the Belgian company. Scotty's has 156 stores, which turned over $550.8m in the year ended July 1988, 7 per cent up on the previous 12 months. Scotty's net profits rose 70 per cent to $17.5m over the same period, including a $6.4m exceptional gain.

GIB started investing in Scotty's in 1979; since then it has steadily increased its initial 15 per cent stake. The Belgian company numbers among its other foreign home improvement investments a 25 per cent share in Home Base in the UK, a joint venture with J. Sainsbury; 35 per cent in Obi of France; and 51 per cent in Bricob of Spain, trading under the name, Aki.

US bank sells Belgian unit

CONTINENTAL Illinois National Bank's Belgian subsidiary is being sold to Banco Hispano Americano of Spain and BACOB Savings Bank of Belgium, writes our Financial Staff.

Banco Hispano is acquiring 75 per cent of the unit and BACOB the remaining 25 per cent, said a joint statement. No terms were disclosed.

Switchback from Docklands to Piccadilly

David Waller reckons Trilion should market the rights to its short but chequered rise

Mrs Margaret Thatcher, January 29 1987: *"I'm so glad this party, this great party to launch this great venture is being held in the Limehouse Studios. I came here about 18 months ago, when I was going around Docklands and I was absolutely thrilled and fascinated with it. It reminded me very forcefully of everything we have tried to do, of my fundamental belief that if governments create the background and we free things up as much as possible, then the great talents and abilities of the British people will take over."*

Those working at Trilion – the company which owns the Limebouse Studios – may be forgiven for viewing the Prime Minister's words with some scepticism.

Within six weeks of her speech – given at the launch of Superchannel – Trilion had received a letter from the London Docklands Development Corporation which threatened to bring an end to this particular bastion of British enterprise.

The letter, from the LDDC's property director, said simply that the Corporation was going to make a compulsory purchase order to buy the former banane warehouse in which Limehouse had so bravely mede its home only e few years previously. The trouble was that the Limehouse Studios sat bang in the middle of the £3bn, 12m sq ft Canary Wharf development. And so Limehouse found itself being hounded out by the very body which had so assiduously wooed it to Docklands in the first place.

This week this episode in the Trilion saga will draw to e close. The company is expected to announce a £25m deal with Olympia & York, the Canadian property company responsible for the Canary Wharf project. Trilion will have until the middle of next March to remove itself to its new premises in the Trocadero Centre, Piccadilly Circus.

Although the sum involved is approximately twice the Studios' book value, this should not be attributed to a fit of generosity on the developers' part. Apparently, Trilion'e legal adviser struck up a conversation with a labourer on the site, who passed on a vital piece of information – namely, that building on the vast project would soon have to come to a halt unless the contractors obtained access to Trilion's land. Trilion found that it had O&Y over the proverbial barrel, and a settlement was soon forthcoming.

The latest events are entirely in character with Trilion's brief and colourful stock-market career.

Every conceivable problem that could beset a small company has visited Trilion since it joined the Unlisted Securities Market in the summer of 1985. This is somehow appropriate for e company which makes Spitting Image and the Channel 4 Business Programme: the Trilion saga would make a gripping TV programme in itself.

The tale began three years ago when the small company made a promising market debut, supported with a £590,000 pre-tax profits forecast for 1985, which it duly overtook. It continued with a spate of ill-conceived acquisitions, a dramatic lurch into losses (of no less than £5.6m for 1987, on turnover of £16.9m) and the resignation of the founding directors. All the while, a double sub-plot was rumbling on in the background, involving Antipodean corporate raiders and the Canadian property developer.

Trilion was one of a clutch of small entrepreneurial TV facilities companies to come to the USM.

Of these, only one can really be said to have mastered the notoriously volatile and competitive facilities market and to have turned itself into a powerful, growth company. That company is Mr Michael Green's Carlton Communications, now capitalised at over £500m on tbe main market. Others – like Television Services International and Trilion itself – suffered a chronic lack of financial control and plunged into losses.

That much is obvious from the bare bones of the chronology. After buying Limehouse for £5.2m in June 1986, and Viewplan, e TV equipment hire company, for £6.7m the following November, Trilion reported pre-tax profits of £926,000 for the year to October 1986.

On February 19 1987, Mr Steve Lakin, the former managing director of Viswplan, resigned after less than two months in the job. His share stake ended up with Charterhall, the UK vehicle of Australian investor Mr Russell Goward.

Keith Wilkinson – Trilion is about to enter a rosy phase

Mr Peter Crook, Trilion finance director, resigned on April 1. On May 13, Trilion reported pre-tax losses of £996,000 for the six months to April 1987. Precisely a week later, Mr Bill Hope and Mr Barry Sheffield, respectively chairman and managing director, and founders of the company, resigned, and their 15 per cent stake was placed. A bald statement said only that they had "left the company by mutual agreement in order thet they may pursue other interests".

Even now, Trilion will not comment on the circumstances of their departure. Curiosity can be partially satisfied by a look at the eccounts for 1987. On turnover of £16.9m, the company mustered a trading profit of £702,000, eliminated by an exceptional loss of £2.63m arising from abnormal bad debt provisions, losses on the outside broadcast business and termination costs. Moreover, there was an extraordinary charge of £2.71m for trading losses, reorganisation costs and write-downs of leasehold improvements. In total: losses of nearly £5.6m after tax and extraordinary items.

What is more, by way of a prior-year adjustment, the accounts annulled the £926,000 profits reported for 1985-86.

The accounts also show e complete change in the company'e advisers: the auditor was now Ernst & Whinney rather than Finnie & Co, and Hoare Govett had repieced Capel-Cure Myers as broker. In the audit opinion, Ernst & Whinney reported tbat "certain significant subsidiaries did not keep proper accounting records during the year".

All this emerged only in March this year. In the meantime, Mr Wilkinson and Mr Ian Reed, group managing director, had struggled to rationalise the business, Canary Wharf had turned into e building site and Charterhall had increased its stake to 27.5 per cent. However the balance sheet remained in a parlous state: in May 1987, borrowings of £17m amounted to some nine times shareholder funds.

Enter Brent Walker, the leisure and property conglomerate run by Mr George Walker, the former pugilist. It bought Charterhall's stake in September 1987 for about £12m. Quite what plans Mr Walker had for Trilion were obscure, and remain so. He joined the board in May, and his company supported a £17m rights issue to put Trilion on a sound financial footing. He also undertook tbe negotiations witb O&Y, and it is within Brent Walker's Trocadero Centre that Trilion will be housed.

Is the Trilion saga about to enter a rosy phase? Both Mr Walker and Mr Wilkinson believe so. The word Mr Wilkinson uses is flexibility. Indeed, Trilion seems well placed to exploit a burgeoning independent sector.

Of its turnover, 35 per cent comes from London facilities (such as editing suites and outside broadcasting units); 35 per cent from equipment hire (cameras, video recorders, monitors and the like); 15 per cent from production; and 15 per cent from facilities in the regions.

What is more, the timing of the Limsbouse settlement is excellent. It will give Trilion plenty of time to decide whicb way to jump in the aftermath of the Government's White Paper on ths broedcasting industry.

Uncertainty at a time of substantial transformation

James Buxton on the mystery surrounding Charterhall's 22% interest in A. Goldberg and Sons

MARK GOLDBERG, chairman of the Glasgow-based stores group which bears his name, might have been expected to lose some of his customary friendliness in recent weeks.

Mr Russell Goward, the Australian entrepreneur, has 22 per cent of A. Goldberg and Sons through his investment vehicle Charterhall – but his intentions are far from clear. Uncertainty is particularly unwelcome for A. Goldberg at the moment since it is at a delicate stage of a substantial transformation of its activities.

In fact Mr Goldberg, the third generation of his family to run the 50-year-old business, retains, at least in public, the patience and urbanity that explain why he is one of the best liked figures in the Scottish business community.

All he will say about Mr Goward is that he thinks some of his recent statements were "not terribly responsible." Earlier this month Mr Goward appeared to suggest, in different interviews with two Scottish newspapers, that he would be prepared to make a hostile bid for Goldberg if he was not able to gain control with the support of its management.

After A. Goldberg's advisers, Noble Grossart, took the matter up with the Takeover Panel, Charterhall stated that it had made no decision about its stake in Goldberg. It was keeping its options – whether to make a bid, hold the investment or sell it.

"It's unfortunate," says Mr Goldberg. "This sort of situation creates uncertainty and diversion of effort." He says it is not in shareholders' interests for the company to lose its independence and has no plans to meet Mr Goward. A. Goldberg's energies, he says, should be going into continuing the metamorphosis of the company.

A. Goldberg used to be a general retailer operating downmarket department stores in most Scottish cities and relying for much of its appeal on its Style credit card business. Though it developed a line of fashion shops called Wrygges for women, followed, for men, by Wrygges Man, it needed to adapt faster as traditional department stores went out of vogue. In 1985 it decided to concentrate on retailing rather than credit and sold 60 per cent of Style to the Royal Bank of Scotland.

Since then A. Goldberg has concentrated on its specialist fashion shops aimed primarily at young people. Wrygges is a good source of profit and accounted for £21m of the company's £51.5m turnover in the year to March 26 1988; it is opening up in towns in England, coming to Oxford Street in October. In 1987 Goldberg bought 90 per cent of Schuh, an inventive shoe retailer which is being expanded alongside Wrygges. It also has e 50-50 joint venture with Ted Baker, a specialist shirtmaker.

Last year Goldberg made pre-tax profits of £3.2m, an increase of 17 per cent on the previous year, but analysts are predicting e more modest increase to ebont £3.6m this year. It will no longer have the £1.1m contribution to profits it got last year from Style, the remaining 40 per cent having been sold to the Royal Bank. Nor will it yet get the full benefit of the investment in new stores it has been making – it has spent £10m since 1986 and is investing £6m this year.

Further, though the traditional Goldberg stores are being transformed to appeal to what Mr Goldberg calls the post-Wrygges woman, the company has still to realise the development potential of its freehold properties in Glasgow and Edinburgh.

Analysts argue that Goldberg has good growth potential in the medium term but admit that it is currently vulnerable.

Mr Goldberg can take some comfort from the fact that his family hold 18 per cent of the equity and he believes that at least two of the institutional shareholders, Scottish Amicable and Scottish American Investment Trust, with 12 per cent between them, are likely to stay loyal, as might individual shareholders, with about ten per cent.

Sympathetic analysts question what Charterhall – which recently moved into shoe retailing – can contribute to Goldberg that Mr Goldberg is not already giving it. But while Charterhall's intentions are shrouded in mystery, the question may never have to be put.

AAF profit climbs to £6.7m halfway

IN THE first half of 1988 AAF Investment Corporation lifted its pre-tax profit by £1m to £6.67m. The gross interim dividend is to be 2.5p, up 1p.

Last June the company sold its South African investments by disposing of its 50 per cent stake in Hunts to become an international investment arm for the South African industrial conglomerate FS Group.

Investments in South Africa were in tyre manufacturing, industrial rubber products, distribution of hand tools, motor vehicles and spares, and property.

The company bad already made a start to international expansion when it acquired 23.75 per cent in Beatson Clark, the UK glass and plastic container maker, in the early part of 1987. But the bulk of that was sold this month, leaving the holding at 3.76 per cent.

The directors said they were actively reviewing new investment opportunities.

Turnover for the half year moved up from £83.67m to £98.63m, producing an operating surplus of £7.14m (£6.35m). That was backed up by a cut in interest charges to £463,000 (£717,000).

After tax £2.48m (£1.9m) and minorities and preference dividends £2.8m (£2.54m), net attributable revenue came to £1.38m (£1.2m). Earnings dipped to 8p (8.3p).

Tony Clegg has brain operation

Mr Tony Clegg, the chairman of property group Mountleigh, is convalescing in the south of France, following an operation late last week.

Mr Clegg was said yesterday to be "improving" after an operation to remove what was understood to be a benign tumour on his brain. Mountleigh's annual report and accounts are due to be published this week.

FT Share Information

The following securities were added to the Share Information Service in Saturday's edition:

City Gate Estates (Ord. & Cum. Pref.) (Section: Property).
Dunloe House (Property).
English & Overseas Properties (Property).
Jurys Hotel (Hotels).
Marshalls Halifax 6.5p Conv. Cum. Red. Pref. (Buildings).
Palmerston Holdings (Property).
Unidare (Electricals).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims– Bradero Props., Dewhirst (I.J.), Peek Hldgs., Propeller, Sharpe & Fisher, Tetfos Hldgs., Tronoh Mines Malaysia Berhad, Williams Hldgs.

Finals– Bank of Nova Scotia, Border T.V., Consolidated Plantations Berhad, Mhangura Copper Mines, Minerals Oils & Resources.

FUTURE DATES

Interims–	
Andaman Resources	Sept 12
Brammer	Sept 8
British Syphon	Sept 8
Burmah Oil	Sept 8
Clayform Props.	Sept 8
Goal Petroleum	Sept 12
Laird Group	Sept 8
Matthews (Bernard)	Sept 8
Savoy Hotel	Sept 13
Wyvale Garden Centres	Sept 13
Finals–	
Equity & Law Intl Funds	Sept 9
GSC Capital Ltd	Sept 13
Polytechnic Electronics	Sept 1
Sanderson Murray & Elder	Sept 14
Sinclair Goldsmith	Sept 7

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 01-493 8111

Progressive Inc	5	£15.54	£15.82	16.70	2.61	40168
Progressive Acc	5	£21.81	£22.21	23.44	2.61	40169
International Inc	5	£15.98	£15.98xd	16.87	1.54	40170
International Acc	5	£20.13	£20.13	21.25	1.54	40171
Can & Foreign Inc	5	190.6	190.6	201.2	2.79	40173
Can & Foreign Acc	5	212.4	212.4	224.2	2.29	40174
Special Sits Inc	5	164.1	164.1	173.2	1.98	40175
Special Sits Acc	5	164.1	164.1	173.2	1.98	40176

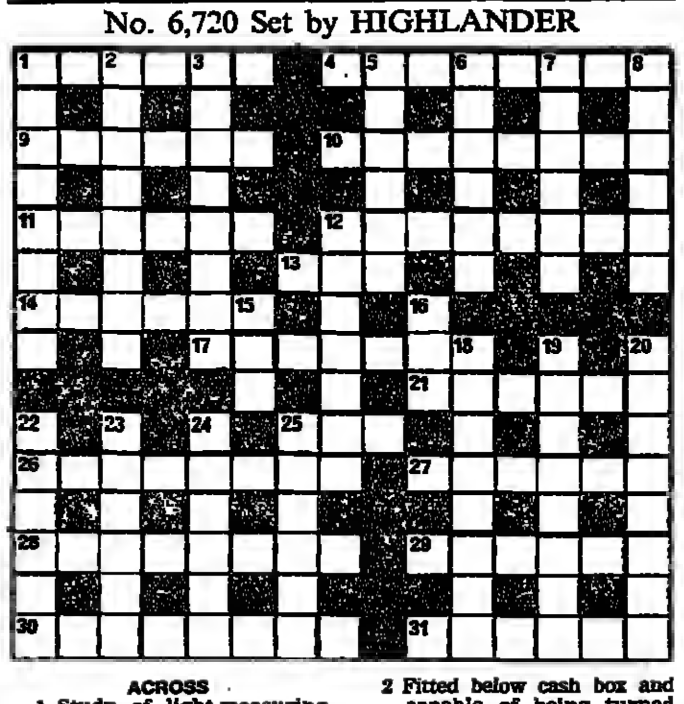
Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 01-248 4400

Brewin Capital	5½	179.6	190.4	202.5	1.55	40177
Brewin Dividend	5½	94.83	09.36xd	106.7	5.91	40178
Brewin Inc Gth Inc	5½	206.9	216.8	230.6	3.55	40179

JOTTER PAD

CROSSWORD

No. 6,720 Set by HIGHLANDER



ACROSS

1 Study of light-measuring devices (6)
4 Standard article is not truthful, said cripple (8)
9 Plan to produce insurance document (6)
10 One complaining to King George about noise (8)
11 Unusual blemish on religious establishment (6)
12 Exceed reserve shown in account record (8)
13 Make an offer direct (3)
14 Fat? Pull everything in (6)
17 Cautionary advice reportedly put on gin cocktail (7)
21 Not so dry: use draught regulator (6)
25 Three quarters use needle and thread (3)
26 Realise record has finished (8)
27 Resting outside – right and natural (6)
28 Type of income not yet deserved (8)
29 Refer to a dull turn of direction (6)
30 Added up the whole amount carried externally (8)
31 The way engineers go in? Don't change it! (6)

DOWN

1 Fight against accepting it from the other side (8)
2 Fitted below cash box and capable of being turned over (8)
3 Two birds appearing at daybreak (8)
5 Overseas sailor has a way with him (6)
6 Most of all, nearly all, very nearly (6)
7 Cowardly scream followed by exclamation of pain (6)
8 You smell, stated a comment made by Archimedes (6)
12 Sapper's trailblazer (7)
15 Fresh rising produces conflict (3)
16 Aim to kill (3)
18 It is run as punishment for protecting hand (8)
19 A true rep can create an opening (8)
20 Bank in Reading changed first of tenners (8)
22 Make slight amendments to notice on right (6)
23 Dispatched first according to agreement (6)
24 Plant used in making salads or relishes (6)
25 Split note is difficult to accomplish (6)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 10.

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out last Friday.

Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

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هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

Swiss Life Pen Tst Man Co Ltd (1000)H
99-101 London Rd, Sevenoaks 0732 450161

Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Equity Dist	5	319.1	323.7	342.5	3.05	41453
Equity Acc	5	409.5	415.5	439.7	3.05	41454
Fixed Int Dist	5	114.2	117.5	121.8	9.17	41455
Fixed Int Acc	5	204.8	208.4	216.0	9.17	41456

TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants, SP10 1RE 0264 [illegible]

Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
TSB American	5	96.11	96.11	102.12	2.2	[illegible]
Do Accum	5	103.15	103.15	109.60	2.2	[illegible]
720 BrH Growth	5	53.34	53.34	56.74	3.17	[illegible]
Do Accum	5	55.06	55.06	58.57	3.17	[illegible]
TSB European	5	48.90	48.48	51.57	1.20	[illegible]
Do Accum	5	49.81	49.81	52.99	1.20	[illegible]
TSB Extra Income	5	143.83	143.83	153.01	5.8	[illegible]
Do Accum	5	185.66	186.06	197.51	5.8	[illegible]
TSB Smaller Cos	5	53.45	55.83	58.54	1.17	[illegible]
Do Accum	5	54.40	56.01	59.58	1.17	[illegible]
TSB General	5	171.66	172.21	183.21	3.43	[illegible]
Do Accum	5	297.13	298.09	317.12	3.43	[illegible]
TSB Gilt & Fxd Int	3¼	46.96	46.96	48.56	9.07	[illegible]
Do Accum	3¼	70.90	70.90	73.32	9.07	[illegible]
TSB Income	5	235.61	257.21	273.63	4.81	[illegible]
Do Accum	5	427.25	429.93	457.37	4.81	[illegible]
TSB Pacific	5	203.35	204.39	157.44	0.32	[illegible]
Do Accum	5	211.42	212.51	226.07	0.32	[illegible]
TSB International	5	315.81	316.74	336.96	1.04	[illegible]
Do Accum	5	397.26	398.43	423.86	1.04	[illegible]
TSB Nat Resources	5	61.61	61.61	65.54	1.39	[illegible]
Do Accum	5	64.76	64.76	68.89	1.34	[illegible]
TSB Slctd Opps	5	79.27	80.28	85.40	2.34	[illegible]
Do Accum	5	109.35	90.48	96.26	2.34	[illegible]

3i Unit Trust Managers Ltd (1000)F
31 Homer Rd, Solihull, B91 3QA 01-928 3356

Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Small Co's	5	50.66	50.66	53.47	—	41481

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin. 0296 394000 Dealing: 01-379 0860

Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
American Eagle	5	61.07	61.07	65.36	0.91	41482
Australia	5	7.993	8.000	8.550	0.10	[illegible]

MIM Ltd

Name	Bid Price	Offer Price	Yield Gross	City-line
Mngd Pens (Acc)	54.7	58.3	0.80	41007

Murray Johnstone UT Mngmt
Murray Exempt Funds

Name	Bid Price	Offer Price	Yield Gross	City-line
Amer Expt Aug 24	39.0	40.5	2.27	41064
Euro Expt Aug 24	38.8	40.7	2.3	41065
Fixed Int Ex Aug 24	48.5	50.9	9.43	—
Japan Expt Aug 24	53.5	55.7	0.55	41066
Managed Ex Aug 25	38.6	40.1	4.51	41067
SE Asia Expt Aug 24	38.2	40.1	2.22	41068
Sm Cos Expt Aug 24	45.1	47.3	2.54	41069
UK Eqty Ex Aug 24	36.6	37.8	3.81	41070

New Court Property Fund Managers

Name	Bid Price	Offer Price	Yield Gross	City-line
NC Property	189.8	199.5	—	41205

Phillips & Drew Fnd Management Ltd

Name	Bid Price	Offer Price	Yield Gross	City-line
PDFM Small Co Fd	812.0	862.0	3.50	41138
Do Accum	838.8	890.0	3.50	41139
PDFM Int Expt Aug 25	124.4	126.4	2.72	41140

J. Rothschild Fund Managers Ltd

Name	Bid Price	Offer Price	Yield Gross	City-line
Intl Exempt	93.19	94.40	3.80	40172

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)

Name	Bid Price	Offer Price	Yield Gross	City-line
AA Friendly Sy Aug 12	—	140.9	—	41607

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Name	Bid Price	Offer Price	Yield Gross	City-line
Prop. Ser. 1	251.2	264.5	—	41608
Equity Ser. 1	111.6	117.5	—	41609
Prop. Acc. Ser 2	363.8	383.0	—	41610

Black Horse Life Ass. Co. Ltd

British National Financial Services

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

	Bid Price	Offer Price	Yield Gross	City-line
Life Assurance Funds				
Wealth Asd.	389.3	409.9	–	43248
Eb'r Ph Eq.	344.2	366.6	–	43249
Pension Plan Funds				
Phoenix				
UK Equity Acc.	169.4	178.5	–	43250
International Acc.	142.3	149.7	–	43251
Property Acc.	143.1	150.6	–	43252
Fixed Interest Acc.	154.2	162.3	–	43253
Money Acc.	143.0	150.5	–	43254
Bldg Soc Link Acc	139.9	147.2	–	43255
Special Mnged. Acc. Q	152.8	160.8	–	43256
Phoenix/Framlington				
Intnl Growth Acc.	88.30	92.90	–	43257
Am Smllr. Cos. Acc.	86.90	91.40	–	43258
Capital Tst. Acc.	178.4	187.7	–	43259
Japan & Gen Acc.	196.1	206.4	–	43260
American Turn. Acc.	96.20	101.2	–	43261
Recovery Tst. Acc.	180.0	189.4	–	43262
Special Mngd Acc.	150.8	158.7	–	43263
Phoenix/GT				
International Acc.	133.3	140.3	–	43264
US & General Acc.	86.50	91.00	–	43265
Amer Spec Sits Acc.	63.00	60.40	–	43266
Japan & General Acc.	196.6	206.9	–	43267
Far East & Gen. Acc.	144.4	152.0	–	43268
UK Capital Acc.	177.3	186.6	–	43269
European Acc.	141.5	148.9	–	43270
Special Mngd. Acc.	129.1	135.8	–	43271

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
41	Redemption 3pc 1986-96	99¾xd	[illegible]	25.8	1Apr 1Oct	1278
2,050	Treas. 9½pc '88	99	[illegible]	21.3	25Apr 25Oct	1346
2,250	Treas 11½pc 1989	99	11.71	18.7	22Aug 22Feb	1291
855	Treas 9½pc Cnv 1989	98	[illegible]	14.3	18Oct 18Apr	1348
500	Treas 3pc 1989	96	[illegible]	8.4	15Nov 15May	1327
1,400	Treas 10½pc 1989	99	[illegible]	9.5	14Dec 14Jun	1287
2,400	Exch 10pc 1989	98	[illegible]	27.6	1Feb 1Aug	1250
2,000	Exch 11pc 1989	99¼xd	11.3	23.8	29Mar 29Sep	1256
601	Treas 5pc 1986-89	94	[illegible]	9.3	15Apr 15Oct	1329
535	Exch 10¼pcCv '89	99	[illegible]	8.4	15May 15Nov	1255
1,000	Treas 13pc 1990‡‡	102	[illegible]	8.6	15Jul 15Jan	1300
1,400	Exch 11pc 1990‡‡	100¼	[illegible]	6.7	12Aug 12Feb	1257
1,250	Exch. 12½pc 1990	102	[illegible]	16.8	22Sep 22Mar	1262
550	Treas. 3pc 1990	90	[illegible]	5.4	8Nov 8May	1325
[illegible]	Treas 8¼pc 1987-90‡‡	96¼	10.71	9.5	15Dec 15Jun	1340
[illegible]	Treas. 8pc Cv 1990 ‡‡	96½	10.08	9.6	16Jul 16Jan	4680
[illegible]	Treas. 10pcCv 1990	98	10.76	21.3	25Apr 25Oct	1285
[illegible]	[illegible] 2½pc 1990	87¾	8.58	15.4	22May 22Nov	1270
[illegible]	Treas 11¾pc 1991	102	10.70	3.6	10Jul 10Jan	1292
[illegible]	[illegible] 5¾pc '87-91‡‡	90¾	9.93	1.3	5Oct 5Apr	1275
[illegible]	Treas. 3pc 1991	86	8.65	6.4	15Nov 15May	1326
[illegible]	Treas. 10pc Cv '91 ‡‡	98	10.45	6.6	12Jan 12Jul	1286
[illegible]	[illegible] 11pc 1991	101	10.59	21.3	25Apr 25Oct	1258
[illegible]	Treas. 8pc 1991	93	10.57	4.5	10Jun 10Dec	1335
[illegible]	Treas 12¾pc 1992‡‡	106¼	10.50	15.6	22Jul 22Jan	1297
[illegible]	Treas. 10pc 1992	98	10.43	15.7	21Aug 21Feb	1283
[illegible]	Treas. 8pc 1992‡‡	92	10.47	7.3	15Oct 13Apr	1337
[illegible]	10½pc Cv 1992‡‡	99	10.47	31.3	7Nov 7May	1289
[illegible]	Treas. 3pc 1992	82	[illegible]	5.5	11Dec 11Jun	1328
1,[illegible]	[illegible] 12¼pc '92	105¼	[illegible]	19.7	25Feb 25Aug	1265
1,[illegible]	[illegible] 13½pc 1992	109¾xd	[illegible]	16.8	22Mar 22Sep	1266
[illegible]	Treas 8¾pc 1993	92¾	[illegible]	12.7	18Aug 18Feb	—
[illegible]	Treas 10pc 1993‡‡	98	[illegible]	9.3	15Oct 15Apr	1279

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	42	—	27.6	1Feb 1Aug	1239
1,909	War Loan 3½pc‡‡	38¾	—	25.4	1Jun 1Dec	1352
154	Conv. 3½pc '61 Aft.	53¾xd	—	25.8	1Apr 1Oct	1243
56	Treas. 3pc '66 Aft.	31¾	—	1.3	5Apr 5Oct	1324
276	Consols 2½pc	26¾	—	1.6	5Ja Ap Jul O	1238
475	Treas. 2½pc	26⅞xd	—	25.8	1Apr 1Oct	1315

Index-Linked

Amount £m	Stock	Price £	(b)	**	Last xd	Interest Due	City-line
500	Treas. 2pc IL '90(84.6)	128¾	3.09	20.6	25Jul 25Jan	1311
650	Do. 2pc '92‡‡(97.8)	107¼xd	3.28	17.8	23Mar 23Sep	1312
400	Do. 2 '94 (102.9)	93	3.93	—	16Nov 16May	—
1,000	Do. 2pc '96(67.9)	157½	3.45	10.8	16Mar 16Sep	1313
900	Do 2½pc '01(78.3)	113⅞xd	3.95	18.8	24Mar 24Sep	1316
800	Do. 2½pc '03(78.8)	110¾	3.97	13.4	20Nov 20May	1317
1,200	Do. 2pc '06(69.5)	112	3.96	13.6	19Jan 19Jul	1314
950	Do. 2½pc '09(78.8)	104	3.96	13.4	20Nov 20May	1318
1,350	Do. 2½pc '11(74.6)	108	3.95	18.7	23Feb 23Aug	1319
1,100	Do. 2½pc '13(89.2)	90¼	3.92	11.7	16Feb 16Aug	1320
1,700	Do. 2½pc '16(81.6)	97¼	3.88	20.6	26Jan 26Jul	1321
1,400	Do. 2½pc '20(83.0)	95	3.83	10.3	16Oct 16Apr	1322
900	Do. 2½pc '24‡‡(97.7)	79	3.71	10.6	17Jan 17Jul	1323

**Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1987:103.3 and for July 1988:106.7

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	45	3.50	7.78	3.5	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	45xd	3	6.67	1.8	1Feb 1Aug	2762
—	Do 4pc Mixed Ass.	45xd	2	4.44	5.4	1Apr 1Oct	2761
1	Hung. '24 Ass.	75	2.75	3.67	3.5	1May	2935
40	Hydro Quebec 15pc 2011	133	15.00	10.96	28.4	31May 30Nov	—
30	Iceland 14½pc Ln 2016	125	14.50	11.40	4.1	31Jan 31Jul	—
30	Ireland 9¾pc '91-96	95¾xd	9.75	10.65	1.8	1Mar 1Sep	3002

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
6,115.5	Abbott Laboratories§	26¾xd	$1.20	2.6	12.7	Fb My Ag Nv	1503
222.1	♦Allegheny & W 1c.	430p	30c	4.1	—	—	—
1,559.8	Amax $1	12¾	Q20c	0.9	5.8	Mr Jn Se Dc	1581
1,391.8	Amdahl 5c.	26¾	20c	0.4	10.8	Mr Jn Ag	—
2,460.4	Amer. Cyanamid $5.	26¾	$1.20	2.6	22.2	Mr Je Se Dc	—
8,239.7	Amer. Express 60c.	16⅝xd	76c	2.7	4.7	Fb My Ag Nv	1594
791.8	Amer. Medical Intl. $1	974p	♦72c	4.3	11.1	Fb My Au Nv	—
15,769.7	American T. & T. $1	14	$1.20	4.8	27.5	Fb My Ag Nv	1597
7,365.8	Ameritech $1	52¾	$5.40	6.0	27.6	Fb My Ag Nv	—
455.0	Amfac‡	27¾	—	—	11'84	Mr Je Se De	—
5,248.3	Anheuser-Busch $1	17½	60c	2.0	4.8	Mr Jn Se De	1620
1,336.1	BankAmerica $1 5/8	825p	—	—	11'85	Fe My Au No	1744
1,744.7	Bankers N.Y. $1	22	$1.86	5.0	26.3	Ja Jly Oc Jan	1745
8,822.8	Bell Atlantic $1	40¼	$4.08	5.9	27.6	Fe My Au No	—
11,069.2	BellSouth Corp.	23	$2.36	6.0	6.7	Fe My Au No	—
910.7	♦Bethlehem Steel $8.	12¾	—	—	4.11	Mar Jun S O	1821
—	Bio-Rad Labs. Inc. 'A'	11¼	—	—	—	—	—
661.0	Bowater Inc.	18xd	92c	3.0	7.6	Dc Ja Ap Jy	1884
2,066.6	Browning-Ferris 16.6c.	14xd	48c	2.0	14.5	Ja Ap Jly O	1986
1,042.3	Brunswick 75c.	11	44c	2.2	20.7	F My Au N	1999

Continued on next page

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
6,481.1	Texaco $6.25	26 1/2	$3.00	6.6	4.8	Mr Je Se De	4200
5,270.7	Time Inc. $1	55 1/16	$1.00	1.1	25.8	Mr Je Se De	4234
1,494.4	Transamerica $1	19 3/8	$1.84	5.5	29.5	Ja Ap Ju Oc	4289
521.1	TRINOVA Corp.	15 1/4	64c	2.5	10.8	Mr Je Se De	4309
4,918.3	USX $1	16 1/4	$1.20	4.4	2.8	Mr Je Se De	4380
2,738.0	Utd. Technologies	20 7/8	$1.60	4.5	24.8	Mr Je Sp Dc	4381
6,336.7	US West	31 5/8	$3.52	6.5	13.4	Fb My Ag No	–
4,722.4	Waste Management $1	20 1/2	48c	1.3	17.5	Ap Jly Oc Jan	4439
986.6	Whirlpool $1	14 1/4	$1.10	4.5	25.01	Mr Ju Se De	–
1,921.1	Woolworth $3 1/2	29 1/4	$1.64	3.3	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ABM Gold Corp	215 1/2p	–	–	–	–	–
–	Abbot Energy Corp.	13 1/2p	–	–	–	–	–
601.2	Amer. Barrick Res.	10 7/8	–	–	–	–	–
–	American Lightwave	4p	–	–	–	–	–
–	Armeno	17p	–	–	–	–	–
–	Augmitto Expln.	57 1/2p	–	–	–	–	–
1,325.5	Bk. Montreal	12 1/4	$2.00	7.6	8.8	Fb My Ag No	–
1,049.9	Bk. Nova Scot.	633p	76c	5.8	28.6	Ja Ap Ju Oc	–
4,728.3	BCE	17 1/2	$2.44	6.8	6.6	Ap Jy Oc Ja	–
268.4	Bow Valley	646p	40c	3.0	15.12	May Nov.	–

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS — Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.) — Contd.

INSURANCES

LEISURE

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LONDON SHARE SERVICE

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

5.38	Propeller 1p	43	—	—	—	—	3729
3.41	Publishing Hldgs 5p	21	—	—	—	—	3735
10.2	Royal Sovereign 10p	230	4.6	2.7	11.4	May Nov	1505
1.75	Scott Pickford 10p	25	3.1	16.5	—	—	5062
7.71	Seacon Hldgs	111	—	—	—	—	3968
1.62	Sonic Tape 2½p	19	—	—	—	—	—
6.08	Staks Hldgs. 5p	22	—	—	—	—	4625
4.28	Swanyard Studios 1p	3	—	—	—	—	[illegible]
24.3	Takare	278	b1.0	0.5	—	—	[illegible]
14.7	Theme Holdings	65	♦1.1	2.3	25.4	June Dec	[illegible]
3.36	Tomorrows Leisure 20p	30	—	—	—	—	[illegible]
11.9	Tullow Oil 10p	19	—	—	—	—	[illegible]
4.92	UPL Group 10p	122	L2.41	2.6	23.5	—	[illegible]
7.22	Unit Group	178	5.0	3.7	4.7	Jan July	[illegible]
7.94	Video Tape Rec 5p	115	L2.3	2.7	9.5	—	[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ♣ Same interim; reduced final and/or reduced earnings indicated
- φ Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	71	......
Craig & Rose £1 γ	700	......
Finlay Pkg. 5p γ	88	......
Holt (Jos) 25p γ	£11¼	−⅛

Arnotts γ	360	......
Carrol Inds. γ	160	......
Grafton Grp. γ	130	+2
Hall (R. & H.)	157	−3
Helton Hldgs. γ	56	+1
Irish Ropes γ	163xd	......

For Unidare see Electricals

IRISH

Nat. 9¾% 84/89	£100⅛	......
9pc Cap Ln. 1996	£99½	......
Fin. 13% 97/02	£119	......

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen.	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	50
Marks & Spencer	17
Midland Bk.	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect.	32
RHM	30
Rank Org Ord	64
Reed Intnl.	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	10
Brit Petroleum	24
Burmah Oil	50
Charterhall	5
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	28
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £948 per annum for each security.

TRANS-NATAL Coal Corporation Limited

(Incorporated in the Republic of South Africa Registration No. 63/01000/06)

PRELIMINARY REPORT FOR THE TWELVE MONTHS ENDED 30 JUNE 1988

INCOME STATEMENT	30.6.88 (Unaudited)	30.6.87 (Audited)
Sales tonnage (millions)		
General trade	6.3	6.2
Eskom	19.4	18.1
Exports	8.6	7.9
	34.3	32.2
	(R'millions)	(R'millions)
Turnover	935.5	957.6
Cost of sales	886.3	768.7
Operating income	49.2	188.9
Add: Sundry income	10.1	35.3
Subtract: – Net finance charges	16.9	39.6
– Amortisation	41.1	38.3
Net income before taxation and extraordinary items	1.3	146.3
Taxation payable	12.1	35.3
(Loss)/Income after taxation	(10.8)	111.0
Outside shareholders' interest	—	1.7
	(10.8)	109.3
Net transfer from/(to) reserve for deferred taxation benefits	7.5	(32.8)
(Loss)/Attributable income before extraordinary items	(3.3)	76.5
Extraordinary items	(24.6)	—
(Loss)/Attributable income for the year	(27.9)	76.5
Distribution in respect of permanent capital:		
— Interest on compulsorily convertible debentures	9.9	9.9
— Dividends	—	41.3
(Loss)/Retained income for the year	(37.8)	25.3
(Loss)/Earnings:		
— cents per ordinary share (before extraordinary items, but net of compulsorily convertible debenture interest)	(19)	97
Dividends per ordinary share (cents)		
— Interim	—	30
— Final	—	30

BALANCE SHEET	30.6.88 (Unaudited) (R'millions)	30.6.87 (Audited) (R'millions)
Capital employed		
Ordinary shares	216.3	212.5
Compulsorily convertible debentures	78.1	78.0
Permanent capital	294.4	290.5
Distributable reserve	90.7	128.6
Permanent capital and ordinary reserve	385.1	419.1
Reserve for deferred taxation benefits	216.6	270.4
Permanent capital holders' interest	601.7	689.5
Outside shareholder's interest	8.6	10.9
Group equity	610.3	700.4
Long-term loans	239.3	168.6
Deferred taxation liability	3.2	4.1
	852.8	873.1
Employment of capital:		
Investments	19.4	19.1
Fixed and mining assets (net)	810.9	811.2
Non-mining assets	3.9	3.8
Other non-current assets	—	22.5
Net current assets	18.6	16.5
	852.8	873.1
Capital expenditure for the year	59.7	99.3

NOTES:

1. *Group operating income declined by R139.7 million to R49.2 million. The major factors causing this decline* were the effects of the high South African inflation rate on working costs, the lower US dollar prices realised in export markets coupled with a stronger rand as measured in US dollars, and the higher rail tariffs on the Richards Bay line.
2. Sundry income amounted to R10.1 million, and amortisation and net financing costs totalled R58.0 million, so that Group income before taxation was R1.3 million, compared to R146.3 million in the previous year. After providing R12.1 million for taxation, the Group incurred a loss after taxation of R10.8 million.
3. The need to provide a higher amount for taxation than the amount of profit before tax arises from a corporate structure under which losses incurred by some Group companies cannot be charged for taxation purposes against the income of the profitable ones. Proposals under the moratorium on transfer and stamp duty for a fundamental restructuring of the Group aimed at improving management control have been submitted to the Commissioner of Inland Revenue for consideration. If the Commissioner approves the proposals, the taxation problem should also be ameliorated.
4. Following a review of the Group's affairs, it was deemed prudent to make provisions totalling R24.6 million after tax for the following extraordinary items:
   (a) R9.7 million in regard to previously deferred exchange rate losses. As part of the restructuring of the Group, three US dollar denominated loans originally due for repayment over the 1988 to 1990 financial years have been renegotiated in terms of the second interim debt standstill arrangements. In consequence, an amount of R72.5 million shown as short-term loans in the 1987 financial year has now been included under long-term loans. Rather than amortising the year end balance of the said losses over the longer period as is permitted under the Group's accounting policy, the full amount has now been expensed.
   (b) R8.5 million has been provided for rehabilitation and closure costs in respect of previous years. This previously unquantified amount (refer to Note 21.2 in the 1987 Annual Report) has now been estimated in present day costs for both opencast and underground mines. Provision for this expected future liability is now made at present-day costs over the expected total life of the mine concerned.
   (c) R6.4 million arising from the write-off of the unamortised balance of the assets of certain mining operations that have either been closed since the end of the financial year or are to be closed in the near future.
5. The loss attributable to shareholders, net of these extraordinary provisions, was thus R27.9 million. After interest of R9.9 million on the compulsorily convertible debentures, the total loss was thus R37.8 million and the distributable reserves of the Group have been correspondingly reduced from R128.6 million to R90.7 million.
6. In view of the financial results reported above, the directors have resolved not to declare a final dividend, as was also the case with the interim dividend.
7. A fundamental review of all of the Group's operations continues with a view to ameliorating the current financial circumstances and certain remedial measures have already been implemented. However the recent improvement in the dollar prices achieved on export markets and the weakness of the rand against the US dollar have been of greater immediate significance. These changes enabled the Group to achieve a profit after tax of some R3 million in the first month of the new financial year and in the absence of adverse developments, this level of profitability should be maintained for the remainder of the year.
8. In contrast to this expectation of improved profitability, the Group's cash flow is likely to remain unsatisfactory in the immediate future. A tax assessment arising from a previous year (for which a deferred tax provision was made at the time), as well as the minimum tax on companies, in aggregate some R38 million, will need to be paid over the next two months. A capital expenditure programme of some R40 million is also planned. Nevertheless, on the basis of current forecasts, it should be possible to recommence dividend payments during the current year, though at a materially lower level than in the recent past.

On behalf of the Board.

B. P. GILBERTSON – Chairman
H. J. SMITH – Managing Director

Johannesburg
30 August 1988

Registered office:
6 Hollard Street
Johannesburg 2001
(PO Box 61820
Marshalltown 2107)

London office:
30 Ely Place
London
EC1N 6UA

Gencor Group

Copies of the preliminary report are available from the London office.

US COMMODITIES PRICES

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	428.4	432.1	433.0	429.5
Sep	430.4	433.1	430.0	429.5
Oct	432.9	435.6	435.3	432.1
Dec	436.7	441.4	442.1	436.0
Feb	444.9	447.6	447.0	444.0
Apr	450.9	453.6	0	0
Jun	456.9	459.6	456.0	456.0
Aug	463.2	465.9	0	0
Oct	469.5	472.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	532.6	542.2	543.4	529.5
Jan	537.6	546.8	548.1	534.0
Apr	543.6	552.1	550.0	540.5
Jul	549.9	558.4	0	0
Oct	556.9	565.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	652.0	665.5	0	0
Sep	652.0	665.0	669.0	649.0
Oct	658.0	672.0	0	0
Dec	668.0	682.0	684.5	665.0
Jan	673.4	687.4	677.0	677.0
Mar	684.5	698.5	700.5	682.0
May	695.7	709.7	708.0	702.0
Jul	707.2	721.2	720.0	710.0
Sep	718.6	732.6	725.0	722.0
Dec	736.9	749.9	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	102.85	103.10	103.00	102.65
Sep	102.55	103.05	102.90	102.05
Oct	101.75	102.25	0	0
Dec	100.20	100.75	100.80	99.70
Jan	98.65	199.05	0	0
Mar	95.55	95.75	95.75	95.00
May	92.90	92.95	92.50	92.45
Jul	90.75	90.85	90.00	89.70
Sep	88.70	88.70	0	0
Dec	86.80	86.35	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	15.15	15.34	15.33	15.14
Nov	15.18	15.37	15.33	15.15
Dec	15.23	15.48	15.40	15.22
Jan	15.30	15.45	15.42	15.26
Feb	15.30	15.45	15.42	15.30
Mar	15.35	15.45	15.38	15.34
Apr	15.35	15.45	15.38	15.34
May	15.34	15.45	15.42	15.34
Jun	15.40	15.45	15.40	15.40
Jul	15.40	15.46	15.40	15.40

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	4235	4267	4260	4225
Oct	4290	4336	4325	4280
Nov	4370	4415	4410	4365
Dec	4445	4486	4490	4445
Jan	4485	4551	4525	4480
Feb	4460	4503	4490	4450

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1258	1266	1265	1256
Dec	1304	1288	1308	1291
Mar	1296	1291	1300	1286
May	1311	1301	1013	1300
Jul	1326	1325	1330	1320
Sep	1353	1345	1346	1348
Dec	1389	1381	1385	1380

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	121.00	124.61	124.50	121.00
Dec	122.60	123.74	123.93	121.60
Mar	121.38	122.28	122.50	120.80
May	121.00	122.00	122.00	120.20
Jul	121.01	122.40	120.90	120.00
Sep	119.00	119.34	0	0
Dec	119.00	118.30	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	10.03	10.19	10.24	9.98
Jan	8.90	9.37	0	0
Mar	9.75	9.97	10.01	9.73
May	9.58	9.87	9.74	9.42
Jul	9.32	9.55	9.55	9.30
Oct	9.20	9.39	9.27	9.20

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	53.52	52.25	54.25	52.35
Dec	61.45	50.19	52.15	50.25
Mar	51.40	50.20	52.00	50.35
May	51.60	50.41	52.20	50.70
Jul	51.95	50.75	52.50	51.15
Oct	52.75	51.50	53.25	52.00
Dec	53.00	51.70	53.00	51.85

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	191.35	192.35	192.10	190.70
Nov	181.05	182.85	182.00	181.10
Jan	172.50	173.35	173.30	172.20
Mar	168.95	170.50	170.00	168.50
May	167.50	168.95	167.50	167.50
Jul	167.30	167.95	0	0
Sep	166.30	166.85	0	0
Nov	166.35	166.95	0	0
Jan	166.35	166.95	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	825/0	831/4	827/0	806/0
Nov	838/4	845/0	840/0	821/0
Jan	844/0	849/0	845/4	829/0
Mar	847/0	852/2	845/0	832/0
May	837/0	840/0	838/0	834/0
Jul	829/4	834/4	830/0	813/0
Aug	810/0	807/4	810/0	794/0
Sep	738/4	740/0	745/0	738/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	25.92	26.18	26.10	25.46
Oct	26.22	26.47	26.42	25.76
Dec	26.72	26.93	26.99	26.56
Jan	27.00	27.15	27.15	26.82
Mar	27.25	27.45	27.50	26.94
May	27.42	27.70	27.80	27.15
Jul	27.27	27.35	27.30	27.18

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	257.0	260.7	259.0	253.5
Oct	255.2	257.2	258.5	251.0
Dec	254.2	258.7	254.0	251.0
Jan	252.7	254.5	254.0	248.5
Mar	248.0	251.2	251.0	247.0
May	245.5	247.0	247.0	242.0
Jul	243.0	244.0	243.0	239.0
Aug	235.0	236.0	235.0	234.0
Sep	227.5	226.0	227.0	228.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	274/4	277/2	276/0	270/0
Dec	285/0	288/6	285/6	279/6
Mar	280/4	291/2	291/0	284/2
May	290/6	292/6	291/4	285/0
Jul	288/2	288/6	288/0	282/4
Sep	273/0	279/0	277/0	273/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	387/6	390/0	386/0	382/0
Dec	403/6	404/0	404/0	399/0
Mar	406/6	406/2	407/0	401/0
May	381/6	380/4	382/4	377/0
Jul	352/0	353/0	354/0	351/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.22	72.97	73.47	72.75
Dec	73.65	73.60	73.87	73.12
Feb	74.90	74.25	74.42	73.62
Apr	75.32	75.52	75.70	75.05
Jun	74.35	74.40	74.67	74.10
Aug	71.90	71.95	72.10	71.70
Sep	71.25	71.50	0	71.25
Oct	71.30	71.50	71.60	71.30

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	39.95	41.05	40.95	39.90
Dec	42.90	43.45	43.50	42.70
Feb	45.45	45.65	45.60	44.90
Apr	44.32	44.57	44.65	44.15
Jun	47.95	48.17	48.25	47.75
Jul	48.00	49.00	49.10	48.55
Aug	47.02	47.05	0	47.02
Oct	45.30	45.90	45.50	45.20

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	52.82	54.82	54.82	52.82
Mar	53.22	55.20	55.20	53.20
May	54.75	56.60	56.60	54.70
Jul	54.70	56.60	56.60	54.70
Aug	52.40	54.12	54.15	52.40

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firmer in low trading volume

By Jonas Crosland

THE DOLLAR edged slightly firmer in European currency markets yesterday, and continued to show a small improvement from the start of trading in New York.

Trading volume was relatively low, in part owing to the closure of London and Hong Kong, and traders reported that the dollar's rise reflected in the main light profit-taking in European currencies after last week's dollar fall.

In Frankfurt the dollar was fixed at DM1.8668, compared with Friday's close of DM1.8585 in London, and the Bundesbank sold a nominal $4.9m. There was no obvious intervention outside the fixing and later in New York, the dollar rose to DM1.8720.

Most institutions are still digesting last week's rise in West German interest rates and the Bundesbank's determination to support the D-Mark. Yesterday's quieter trading session gave dealers time to assess the dollar's short term direction. Last week's intervention by central banks was successful in restricting upward pressure on the dollar, and then by driving it lower; however, the US unit is expected to gain strong support at around the DM1.8580 level.

Many investors may wait until Friday's release of US employment figures for August before taking a decisive view. Most forecasters are looking for a further rise in non-farm payroll employment, and a small decline in the overall unemployment rate. If this scenario proves correct, it could put upward pressure on US interest rates in order to contain the inflationary effects of a buoyant economy.

Sterling edged up to DM3.1500 in New York from Friday's close of DM3.1400 in London, but dealers reported little activity. Investors appear unwilling to open new positions until a clearer trend emerges.

Elsewhere, the French franc moved slightly firmer in Paris. The D-Mark was fixed at FFr3.3931, down from an opening level of FFr3.3946, while the dollar slipped to FFr6.3350 from FFr6.3400. Investors adopted a cautious approach after last week's increase in French money market intervention rates. A rise to 7¼ p.c. in the 5-10 day repurchase rate coincided with higher rates in London and Frankfurt. Call money yesterday was bid at 7$\frac{11}{16}$ p.c., close to its effective ceiling of 7¾ p.c.

A higher trend in European interest rates has not been fully matched by the rise in France, and the authorities will be anxious to avoid any build up of pressure on the franc brought about by widening interest rate differentials. Confirmation of earlier provisional figures, which showed French consumer prices rising by 0.3 p.c. in July, to give a year-on-year increase of 2.7 p.c., had little impact on the franc.

In Milan, the Bank of Italy sold a nominal DM8.5m at the fixing, around a quarter of the total traded, and the D-Mark eased slightly to L742.70 from L743.00 on Friday. The Bank's action was in contrast to recent operations, which have involved heavy D-Mark purchases in order to prevent the West German unit from falling too far below the L740 level.

FT GUIDE TO WORLD CURRENCIES, Page 21.

£ IN NEW YORK

Aug.26	Latest	Previous Close
£ Spot	1.6975-1.6985	1.6970-1.6980
1 month	0.52-0.51pm	0.47-0.46pm
3 months	1.41-1.39pm	1.28-1.26pm
12 months	4.10-4.05pm	3.68-3.60pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug.26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4959	+2.44	+1.00	±1.5344
Danish Krone	7.85212	7.96744	+1.47	+0.03	±1.5404
German D-Mark	2.05853	2.07401	+0.75	-0.69	±1.0981
French Franc	6.90403	7.04831	+2.09	+0.65	±1.3674
Dutch Guilder	2.31943	2.34213	+0.98	-0.46	±1.5012
Irish Punt	0.768411	0.774855	+0.84	-0.60	±1.6684
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
1.600	8.70	8.82	0.99	9.34	0.14	0.62	1.17	1.85
1.625	6.41	6.78	7.32	7.57	0.36	0.99	1.79	2.51
1.650	4.30	4.92	5.41	5.97	0.80	1.70	2.54	3.36
1.675	2.56	3.38	3.96	4.57	1.60	2.70	3.62	4.51
1.700	1.43	2.21	2.82	3.47	2.69	3.94	4.90	3.90
1.725	0.74	1.46	2.03	2.56	4.45	5.59	6.50	7.47
1.750	0.32	0.87	1.37	1.93	6.52	7.47	8.31	9.11

Previous day's open int: Calls 584,589 Puts 456,859
Previous day's volume: Calls 28,524 Puts 12,581

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-settlements Sep	Oct	Nov	Dec	Puts-settlements Sep	Oct	Nov	Dec
1.650	4.35	5.05	5.55	6.15	1.00	2.10	2.90	3.85
1.700	1.50	2.45	3.05	3.70	3.10	4.45	5.30	6.35
1.750	0.55	1.15	1.60	2.15	7.00	8.05	8.75	9.70
1.800	0.40	0.65	0.90	1.25	11.80	12.45	12.95	13.70
1.850	0.35	0.45	0.60	0.80	16.75	17.20	17.55	18.10
1.900	0.30			0.50	11.70			22.50
1.950	0.40			0.45	11.40			17.60

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: [illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

FORWARD RATES AGAINST STERLING

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

LIFFE LONG GILT FUTURES OPTIONS / LIFFE US TREASURY BOND FUTURES OPTIONS / LIFFE FT-SE INDEX FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS / LIFFE EURODOLLAR OPTIONS / LIFFE SHORT STERLING

[illegible]

LONDON (LIFFE) / CURRENCY FUTURES / CHICAGO

[illegible]

BASE LENDING RATES

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 16,657

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Rates finish lower in Frankfurt

SHORT-TERM interest rates were sharply lower in Frankfurt yesterday, due largely to end-of-month technical factors. Call money slipped to 3.5-4.0 p.c. from 4.50-4.60 p.c. on Friday, as commercial banks tried to offload excess liquidity built up earlier in the month.

However, despite last week's comments by Mr Karl Otto Poehl, the Bundesbank president, that the authorities were unlikely to increase the key sale and repurchase rate from 4.25 p.c., dealers remain concerned that further currency intervention to support the D-Mark would create renewed upward pressure on rates.

This week sees the start of a system of split sale and repurchase tenders. In addition to the usual fixed rate 28-day tender, the Bundesbank is expected to offer a one or two-month facility at a variable rate. Unlike the current variable system - which the Bundesbank has not used this year - where commercial banks are allocated funds at the lowest accepted bid rate, funds are now expected to be allocated at the rate at which each bank bids.

UK clearing bank base lending rate 12 per cent from August 25 & 26

The previous system of variable rate tender was designed to ensure that smaller banks would receive some of the funds on offer. But allocation at the minimum rate meant that some institutions used to bid at unrealistically high rates of discount, secure in the knowledge that any allotment would be received at the minimum rate. This tended to act as an upward drag on rates, and was considered by some as an aggravating factor to events which caused last October's crash in equity prices.

This week's tender will be announced tomorrow - one day late - and allocations will be made on Thursday. A maturing facility, the largest so far this year, will drain DM24.2bn.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

LONDON MONEY RATES

[illegible]

WORLD STOCK MARKETS

AUSTRIA

August 29	Sch	+ or −
Creditanstalt	1,995	−5
Goesser	2,870	+20
Interunfall	11,640	+10
Jungbunzlauer	7,610	+20
Laenderbank	384	+2
Perlmooser	620	−50
Steyr-Daimler	91	−1
Veitscher Mag	611	−4

BELGIUM/LUXEMBOURG

August 29	Frs.	+ or −
B.B.L.	2,650	—
Banque Gen. Du. Lux	13,900	+50
Bank Intl a Lux	13,200	—
Bekaert B	11,200	—
Ciment CBR	6,350	−90
Cockerill	281	—
Colruyt	8,700	—
Delhaize	4,385	−15
EBES	4,200	−5
Fabrique Nat	850	−2
GO Inno BM	1,206	−4
GBL(Brux)L	3,225	+5
Generale Bank	5,260	—
Gevaert	7,250	−10
Hoboken	8,610	−40
Intercom	3,200	+5
Kredietbank	3,925	−25
Pan Holdings	12,700	+200
Petrofina	12,650	—
Raffinerie Tirle	1,488	+8
Royale Belge	4,730	−20
Soc Gen Belge	4,025	−75
Sofina	11,950	−50
Solvay	12,350	+150
Stanwick Intl	80	—
Tractebel	8,000	+50
UCB	9,010	−10
Wagons Lits	5,520	+50

DENMARK ‡

August 26	Kr	+ or −
Baltica Hldgs	512.6	—
Carlsberg	956.4	—
Cop Handelsbank	253.1	—
D. Sukkerfab	417.5	—
Den Danske Bank	345.3 xr	—
East Asiatic	208.8	—
GNT Holding	215	—
I.S.S. B Systems	677.5	—
Jyske Bank	429	—
Novo Inds	256.7	—
Privatbanken	235.8	—
Sophus Berendsen	779.2 xc	—
Superfos	2593.9	—

FINLAND ‡

August 26	Mka	+ or −
Amer	197.5	−5
Finnish Sugar	59	−2.75
Huhtamaki I Free	92	−2
Huhtamaki K Free	175	+5
KOP	67.2	−0.8
Kone	239	−8
Kymmene	119	−5.5
Nokia	162	+0.5
Pohjola 'B'	79.15	+0.3
Rauma-Repola	36	−0.5
Stockmann 'B'	210	−15
UBF'C'	35.7	+1
Utd. Paper Prf.	123	−4.5
Wartsila (s11)	192	−16

FRANCE

August 29	Frs.	+ or −
Accor	418	−1
Air Liquide	506	−4
Alcatel	1,995	+13
BIC	734	−5
BNP (Cert.Inv.)	246	−1
Bongrain	2,440	+20
Bouygues	410	−3
BSN	4,865	+9
Carrefour	2,400	−20
Club Mediterranee	441	−6
Cie Bancaire	414	+6
Cie Fin. de Suez	265	—
Cofimeg	285	—
CGE	303.5	+1.3
Damart	2,505	−30
Dumez S.A.	645	−14
Eaux (Cie Gen)	1,300	—
Elf-Aquitaine	315	+1
Essilor	2,327	—
Gen.Occidentale	700	−5
Havas	699	—
Imetal	203	−1.1
LVMH	2,736	−6
Lafarge Coppee	1,314	+2
L'Oreal	3,153	−87
Legrand	2,760	−5
Maisons Phenix	66	+1
Matra S.A.	180	−2
Michelin B	188	−2
Midi (Cie)	1,293	+29
Moulinex	106	−1
Nord Est	97	—
Paribas	400	—
Pernod Ricard	1,086	−7
Perrier	930	−5
Peugeot S.A.	1,133	+3
Printemps Au	520	+2
Radiotech	698	+15
Redoute	2,910	+10
Roussel-Uclaf	1,213	—
St Gobain	480	−1
Sefimeg	391	−8
Skis Rossignol	990	−27
Telemech Elect	4,500	−15
Thomson (CSF)	177	+0
Total-Petroles Fr.	321	−9
Valeo	496	−9

GERMANY

August 29	Dm.	+ or −
AEG	202.4	−0.1
Allianz AG	1,478	−12
BASF	258.5	−0.1
Bayer	288.8	−1.2
Bayer-Hypo	322	−3.5
Bayer-Verein	320.5	−2.5
BHF-Bank	407	−2
BMW	476.5	−0.5
Brown Boveri	303	−0.2
Commerzbank	224	−0.2
Continental AG	235	−2
Daimler-Benz	647.5	−2.5
Degussa	367	−3.2
Deutsche Babcock	171.2	—
Deutsche Bank	452.5	−2.8
Dresdner Bank	257	+0.8
Feldmuehle Nobel	268.5	+0.7
Henkel	455.1	−3.9
Hochtief	522.5	−3.5

GERMANY (continued)

August 29	Dm.	+ or −
Hoechst	278.5	−1.2
Hoesch	155.2	−0.4
Holzmann (P)	459	+2
Horten	186.5	−2.5
Hussel	398	−3.5
Karstadt	396.5	+0.3
Kaufhof	336	−6
KHD	135.5	+0.4
Kloeckner Werke	101	—
Linde	673	−6.5
Lufthansa	136	—
MAN	195.5	−4.2
Mannesmann	171.6	−1.4
Mercedes Hld	514.5	+1.5
Metallgesell	288	−8.5
Muench Rueck	2,020	−30
Nixdorf	420	−5
Porsche	566	+1
Preussag	171	+1
Rhein West Elect	227	−1
Rosenthal	218	—
Schering	494	−4
Siemens	421.5	−1
Thyssen	149	−0.4
Varta	266	−5
Veba	253.7	−0.3
V.E.W.	159.4	—
Verein-West	335	−1
Volkswagen	247	−1.2

ITALY

August 29	Lire	+ or −
Banca Com'le	2,525	−10
Bastogi-IRBS	298	−1
CIR	5,500	+50
Credito Italiano	1,220	+10
Fiat	9,375	+65
Generali Assicur	92,200	+620
Italcementi	111,625	+25
La Rinascente	4,395	+10
Montedison	1,870	+5
Olivetti	10,150	−62
Pirelli Co	5,570	+130
Pirelli Spa	2,615	+23
Saipem	2,318	+12
Snia BPD	2,337	+36
Toro Assicur	18,200	+145

NETHERLANDS

NETHERLANDS (continued)

NORWAY

SPAIN

SWEDEN

SWEDEN (continued)

SWITZERLAND

SOUTH AFRICA

JAPAN

August 29	Yen	+ or −
Ajinomoto	2,960	−50
All Nippon Air	1,700	−10
Alps Electric	1,750	−30
Amada	1,220	—
Amano	1,550	—
Ando Construct	755	−1
Aoriko	2,380	−20
Aoki Corp.	913	+3

August 29	Yen	+ or −
Jusco	1,890	—
Kajima	1,410	−30
Kaken Pharm	1,780	+10
Kanebo	585	−7
Kanegafuchi Chm	930	—
Kansai Elect Power	3,020	+10
Kansai Paint	630	−16

AUSTRALIA (continued)

HONG KONG

SINGAPORE

AUSTRALIA

INDICES

NEW YORK DOW JONES

CANADA

NEW YORK ACTIVE STOCKS

CANADA

TORONTO

Closing prices August 26

MONTREAL

Closing prices August 26

OVER-THE-COUNTER

Nasdaq national market, 2pm prices August 29

Continued from page 30

TOKYO - Most Active Stocks

Monday 29 August 1988

3pm prices August 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
27¾	14	AAR s	.30	1.4	12	160	25½	25¼	25⅜	− ⅛
10	10	ACM s				500	10	10	10	
12⅛	8¾	ACMIn n1.40e		13.		226	11⅛	11	11⅛	
12⅛	10⅝	ACMSc n1.26		12.		x519	12⅛	10¼	10⅜	
10⅛	9⅝	ACMSp n.17e		1.8		68	9⅛	9⅛	9⅛	
27⅞	10½	AGS			29	280	27¼	27⅛	27¼	+ ⅛
7⅞	2⅛	AMCA				8	3¼	3¼	3¼	− ⅛
6⅛	3⅛	AM Intl				246	5½	5⅜	5⅜	
20⅝	17	AM Int pf	2	9.4		11	21⅛	21⅛	21⅛	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next Page

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices August 29

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 29

[illegible]

Continued on Page 28

WORLD STOCK MARKETS

AMERICA

Dollar and takeovers boost Dow

Wall Street

EQUITIES AND bonds started the week on a healthier note, partly in reaction to a poor performance last week but encouraged by a firmer dollar, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average stood 21.33 points higher at 2,038.76. Trading was extremely light with only around 40m shares changing hands by noon.

US Treasury bonds also traded quietly at the start of a week when markets will be holding fire until the release, on Friday, of the latest unemployment and employment figures, a series which has figured large in Federal Reserve policy-making in recent months.

At midsession, bond prices were quoted as much as ⅛ point higher and the yield on the Treasury's benchmark long bond was at 9.396 per cent.

The dollar is one of the chief focuses of markets in the wake of last week's round of co-ordinated interest rate rises in Europe and hints from the Administration that it would feel uncomfortable with a further dollar rise.

One key boost for equities was a sudden burst of takeover activity which livened up institutional interest in trading stocks. There was also a little futures-related buying by arbitrageurs.

Two of the major news items yesterday were confirmation that First Boston and Crédit Suisse are holding talks aimed at forming a private company out of the businesses of First Boston and jointly-owned *Financière Crédit Suisse First* Boston.

The deal would involve the buy-back of First Boston's publicly-held shares, a prospect which sent the stock price up $1¼ by midsession yesterday to $41⅝.

The other large deal announced was the agreed takeover of Primerica by Commercial Credit in a stock swap. Under the terms of the deal, Commercial Credit will exchange one common share and $7 in cash for each Primerica share. Both Primerica and Commercial Credit dropped $¾ to $29⅝ and $24¼ respectively.

Irving Bank added $1¼ to $69 on news that Banca Commerciale Italiana had withdrawn its friendly $84 a share offer for the bank, leaving the field clear for Bank of New York which has been fighting for months for control of Irving. Bank of New York dropped $¾ to $35⅝.

Foodmaker jumped $7⅛ to $18⅞ on news that it will be taken private in a $19.125 a share buy-out by a group headed by Gibbons, Green van Amerongen, general partner of two investment partnerships which already hold a 29 per cent stake.

Computer issues posted healthy gains. Hewlett-Packard, one of the most active stocks on the New York Stock Exchange, added $⅞ to $47¼. Digital Equipment rose $1⅛ to $94⅝ and Motorola stood $⅝ higher at midsession at $42⅝.

Canada

RISING base metals and energy issues pulled Toronto share prices higher in thin, mixed trading at midsession. The composite index rose 7.9 to 3,273.3 on light volume of 8.1m shares.

The union representing 1,600 striking workers at Falconbridge's Sudbury, Ontario, operations said it reached a contract settlement with the company on Sunday. Falconbridge rose C$⅛ to C$22¼.

EUROPE

Trading depressed by interest rate fears

THE BANK holiday in London and an absence of economic news kept trading very quiet in major European bourses yesterday, with shares depressed by last week's interest rate rises and the sharp overnight fall in Tokyo, *writes Our Markets Staff.*

PARIS repeated the pattern of the last two trading days, closing slightly lower after recovering from early losses. A firmer opening on Wall Street helped a market depressed by worries that interest rates in the UK and West Germany would rise again. Last week's ¼ point rise in key French interest rates has left the franc no firmer within the European Monetary System.

Turnover was estimated at a very thin FFr650m, compared with FFr1.2bn on Friday, and foreign investors were virtually absent. The OMF 50 index ended 1.04 down at 344.30 after hitting a low of 343.02. The CAC index, based on opening prices, was off 1.1 at 347.1.

Cie du Midi added FFr29 to FFr1,293 after Italian press reports that Generali might appeal against the French group's defensive merger with insurer Axa, although this was described as "a bit of an old story" by one analyst.

Electrical retailer Darty jumped FFr44.40, or 9 per cent, to FFr520 amid doubts that the company controlled the 95 per cent it requires for the planned management buyout.

FRANKFURT suffered one of the quietest sessions of the year, with volume at a meagre DM1.02bn worth of West German shares, even lower than Friday's DM1.4bn. Shares ended slightly lower in directionless trading, with the FAZ at midsession off 1.98 at 476.67 and the DAX index closing 5.27 lower at 1,152.38.

Dresdner Bank, which plans to take a 30 per cent stake in Turkey's BNP-AK Bankasi, a joint venture with Banque Nationale de Paris, added 80 pfg to DM257 against the trend.

Metallgesellschaft lost DM8.50 to DM288. It said production of 2,000 tonnes of primary zinc would be lost because of an accident at its main smelting plant last week.

Bonds edged higher in thin volume with the yield on the latest 10-year federal bond unchanged at 6.79 per cent.

ZURICH ended easier in slow trading, with activity limited to takeover speculation among smaller banks and in breweries. The Swiss Index shed 8.4 to 886.1.

Brewer Eichhof, rumoured last week to be a takeover target, fell back SFr200 to SFr2,900, while Haldengut, another brewing company, gained SFr150 to SFr3,000.

AMSTERDAM picked up off its lows on Wall Street's better start, and the CBS all-share index ended 0.4 easier at 93.4 in exceptionally low volume.

Publisher VNU shed 50 cents to Fl 86.50. It is expected to announced an increase of at least 30 per cent in first half profits today. Biotechnology group Gist-Brocades was steady at Fl 38.50 before its results today. Printing equipment company Buehrmann-Tetterode added 30 cents to Fl 51.50 in the wake of its profits increase last week.

MILAN edged higher but foreign interest was virtually absent because of the holiday in London. The Comit index added 0.91 to 527.62, with Generali up L620 at L92,200.

BRUSSELS finished mixed, with interest continuing in utilities.

STOCKHOLM fell slightly in lacklustre trading as dealers began to hold back for the general election on September 18. The Affärsvärlden index closed 0.4 point down at 845.6. Turnover was only SKr114m. In HELSINKI the Unitas all-share index fell a sharp 8.3 points to 721.8 in thin volume.

ASIA PACIFIC

Nikkei plunges in scanty volume

Tokyo

CURRENCY and interest rate uncertainties continued to haunt Tokyo yesterday and share prices plunged on very thin volume, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average lost 299.81 to 27,379.10 after moving from a high of 27,826.65 to a low of 27,358.21. It has fallen 830 points, or nearly 3 per cent, in the past seven trading days.

Volume was pathetically thin at 457m shares compared with 450m on Friday and 290m on Saturday morning. Losses outnumbered gains by 580 to 250 with 185 issues unchanged.

Analysts noted a marked lack of enthusiasm. Share prices fell considerably just on small-lot selling. "The market is themeless and dangerous," said Mr Jonathan McClure, manager of institutional sales at Schroder Securities.

The strength of the dollar, coupled with sterling's weakness, caused considerable unease, and anxiety over Japanese interest rates is unlikely to lessen until investors feel a ceiling has been reached.

Besides these worries, analysts said several domestic events probably contributed to yesterday's slump. There were rumours that the Ministry of Finance had asked major securities firms to keep a low profile in order to avoid attracting attention to the equities market. The ruling Liberal Democratic Party has been facing opposition pressure to deal with recent stock trading scandals and this has steered parliamentary debates away from the controversial tax reform the LDP is proposing.

The gains were mainly made in speculative issues. Terumo rose Y250 to Y2,260. The company makes medical instruments and has been bought recently on news that a research team it has been supporting has developed a cure for liver cirrhosis.

Mitsubishi Oil, another company whose shares have gained on speculative news, rose a further Y50 to Y1,060 on rumours that Saudi Arabia is interested in acquiring a stake.

Tokyo Nissan Auto added Y100 to Y2,150 on the strength of its land holdings in an expensive part of Tokyo.

Steel issues were largely losers. Nippon Steel, the most heavily traded issue with 31.53m shares, fell Y20 to Y665, and Nisshin Steel, the second most heavily traded at 28.16m shares, lost Y40 to Y1,140.

Property issues, which had attracted buying interest in the last few weeks, stayed firm in early trading, but most had lost by the close. Tokyo Land, which rose to a new high of Y1,330, up Y20, closed Y70 lower at Y1,140. Tokyu's early gain was on the strength of a membership resort club to which it started inviting corporate subscriptions yesterday.

The bond market in Tokyo was significantly weaker in cautious trading. The yield on the benchmark 106th government bond closed up 0.05 to yield 5.35 per cent after reaching 5.355 per cent during the day following the yen's fall against the dollar.

Roundup

MOST of Asia Pacific finished weaker and Hong Kong was closed for a holiday.

AUSTRALIA fell from the start in very slow trading as demand dried up following last week's interest rate rises in Europe and sharp increases in the Australian and UK current account and trade deficits.

The All Ordinaries index lost 26.6 to 1,569.0, its lowest level since early July, in thin turnover of 84m shares worth A$122m.

Industrials were hardest hit, with Adsteam down 50 cents at A$7, Brambles 35 cents lower at A$10.35 and News Corp off 20 cents at A$10.35. Against the trend, Equitilink rose 2 cents to 60 cents after reporting a 10 per cent rise in net profit.

SINGAPORE was undermined by Tokyo's fall and the Straits Times industrial index ended 24.47 weaker at 1,020.30 despite some late bargain-hunting.

Turnover rose to 48m shares from 33m on Friday, but many investors were still sidelined in the run-up to Saturday's general election.

TAIWAN ended slightly lower after rising during the session. The weighted index lost 8.18 to 7,589.75 for a fall of 624 points, or 8 per cent, in the past five days.

SOUTH AFRICA

DULL trading, reflecting the continued lack of any clear leads, left the market little changed at the close.

Among the few movers were golds Southvaal, down R1 at R102, and Kloof, off 50 cents at R31.50, as the bullion price drifted just above $430.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 26 1988					THURSDAY AUGUST 25 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (87)	147.21	-3.3	129.14	120.68	3.76	152.31	132.87	123.89	152.31	91.16	162.95
Austria (16)	86.75	+0.8	76.11	83.95	2.48	86.72	75.65	84.03	98.18	83.72	96.84
Belgium (63)	111.44	-0.3	97.76	109.10	4.62	111.77	97.50	109.84	139.89	99.14	133.69
Canada (126)	117.53	+0.2	103.10	105.31	3.22	117.33	102.36	104.93	128.91	107.06	117.45
Denmark (39)	122.34	+0.1	107.33	118.60	2.49	122.19	106.59	119.11	132.72	113.42	122.62
Finland (26)	121.33	-1.1	106.44	112.74	1.53	122.69	107.03	114.07	139.53	106.78	–
France (129)	90.25	-0.1	79.17	89.30	3.64	90.35	78.82	89.67	99.62	72.77	114.57
West Germany (100)	74.17	-0.4	65.07	71.56	2.58	74.44	64.94	72.10	80.79	67.78	104.27
Hong Kong (46)	100.24	-2.3	87.94	100.43	4.54	102.57	89.48	102.76	111.86	84.90	145.22
Ireland (18)	129.90	-0.2	113.96	127.20	3.74	130.19	113.57	127.88	144.25	104.60	142.61
Italy (102)	71.84	-0.3	63.02	74.10	2.72	72.07	62.87	74.49	81.74	62.99	88.61
Japan (456)	160.54	-1.2	140.84	135.68	0.53	162.57	141.82	136.99	177.27	133.61	152.58
Malaysia (36)	137.53	-2.4	120.65	140.71	2.63	140.84	122.87	144.06	154.17	107.83	180.98
Mexico (13)	151.15	-1.3	132.60	377.87	1.44	149.26	130.21	372.00	180.07	90.07	348.42
Netherland (38)	101.20	+0.7	88.78	96.86	4.73	100.48	87.66	96.54	110.66	95.23	129.79
New Zealand (20)	75.17	-3.3	65.95	63.54	5.89	77.77	67.85	64.54	84.05	64.42	123.86
Norway (25)	109.95	+0.5	96.45	102.41	2.94	109.44	95.47	102.20	132.23	98.55	170.19
Singapore (26)	120.34	-2.3	105.57	112.77	2.35	123.21	107.49	115.49	135.89	97.99	171.73
South Africa (60)	115.65	+0.7	101.46	87.94	4.90	114.89	100.23	88.45	139.07	109.87	175.93
Spain (43)	143.90	-0.4	126.24	133.92	3.37	144.49	126.05	134.81	164.47	126.73	156.99
Sweden (35)	112.31	-0.2	98.52	106.78	2.67	112.53	98.16	107.32	125.50	96.92	127.92
Switzerland (55)	76.03	+0.3	66.70	73.93	2.32	75.82	66.15	73.85	86.75	74.82	107.89
United Kingdom (324)	124.89	-1.3	109.56	109.56	4.63	126.49	110.34	110.34	141.18	123.09	150.30
USA (580)	106.13	+0.2	93.10	106.13	3.75	105.95	92.43	105.95	112.47	99.19	133.64
Europe (1013)	101.40	-0.6	88.96	94.20	3.86	102.07	89.04	94.71	110.82	97.01	126.37
Pacific Basin (671)	157.62	-1.4	138.28	133.65	0.74	159.79	139.39	135.06	172.26	130.81	152.67
Euro-Pacific (1684)	135.14	-1.1	118.55	117.94	1.68	136.70	119.25	119.00	147.53	120.36	142.23
North America (708)	106.73	+0.2	93.63	106.09	3.72	106.55	92.95	105.90	113.29	99.78	133.84
Europe Ex. UK (689)	86.75	-0.1	76.11	84.72	3.20	86.86	75.77	85.05	92.99	80.27	111.53
Pacific Ex. Japan (215)	122.45	-3.0	107.43	108.23	4.01	126.20	110.10	110.92	128.27	87.51	153.74
World Ex. US (1885)	134.35	-1.1	117.86	117.33	1.76	135.82	118.49	118.34	146.49	120.26	142.56
World Ex. UK (2141)	123.28	-0.6	108.15	113.84	2.18	124.06	108.22	114.41	131.71	111.77	137.96
World Ex. So. Af. (2405)	123.45	-0.7	108.30	113.59	2.39	124.31	108.45	114.19	132.37	113.50	138.82
World Ex. Japan (2009)	105.60	-0.3	92.64	102.06	3.79	105.88	92.37	102.26	112.43	100.00	132.59
The World Index (2465)	123.41	-0.7	108.26	113.42	2.40	124.26	108.40	114.02	132.38	113.37	139.05

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday 26 August 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.05	58.6094	31.5445	43.8274
Albania (Lek)	10.05	5.9467	3.2006	4.4469
Algeria (Dinar)	10.91	6.4556	3.4745	4.8274
Andorra (Fr Fr)	10.6600	6.3076	3.3949	4.7168
(Sp Peseta)	207.60	122.8402	66.1146	91.8584
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (l) Business rate; [illegible] Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Friday 26 August 1988

The Business Column

The threat of global factory networks

AUDI, BMW, Jaguar, Porsche, Volvo and *Europe's other luxury* car makers are in trouble in the United States, their all-important export territory. Market stagnation, the resulting discount war, and the weak dollar have combined to hit both sales and profits with unusual viciousness, and to threaten jobs back home.

Announcing a 10 per cent job cut this month as part of a three-year productivity drive, Jaguar's chairman, Sir John Egan, revealed that each 10 cent fall in the dollar against sterling was knocking £35m off its bottom line. The full effect of the dollar's weakness was all too evident in last Friday's poor profit statement.

The company has already made famous improvements in quality, productivity and marketing under his tutelage, and has obviously done its best to cover itself against forward exchange risk. Yet it is still prey to the wild currency fluctuations which bedevil exporting today.

By pure coincidence, the sudden predicament of Jaguar and *its ilk is highlighted* by a long-planned article on "coping with unpredictable currencies" in the summer edition of the McKinsey Quarterly. As its final sentence warns, "remember, a few months of currency shifts can wipe out hard-won gains made through technology investment or productivity programmes".

The article, by Christian Caspar and Staffan Hertzell, two of the firm's Swedish consultants, ranges widely across industries and is directed at large multinational manufacturers, rather than at the Jaguars of this world. But it holds uncomfortable implications for them all the same.

In essence, its message is that large companies must stop treating currency fluctuations as contingency risks, and look on them instead as a fundamental source of long-term advantage – a strategic opportunity, in today's jargon.

Instead of just hedging via the forward exchange market or using currency options, companies which can standardise either their components or their products (preferably both) should construct factory networks around the world between which sourcing can be switched almost at the drop of a dollar or a pound.

Difficult balancing act for companies

To be able to plan for, and implement, this difficult balancing act, companies must be able to meet a long list of conditions. The well-worn question of whether or not they can persuade international consumers to buy standard finished products is less central than it might seem, since "globalisation" can be a powerful force even at the component level.

Another precondition is the readiness to forego, for the benefit of the business's overall system, the sub-system efficiency advantages which it can still gain from large, inflexible plants. A third is the possession of unusual organisational flexibility and cohesion.

As the consultants point out, mass manufacturers such as Ford and Honda now seem to be trying to develop business systems which will allow them to shift the production of identical sub-assemblies, or even cars, between different locations according to current cost; Ford and GM already have a limited ability to do this within Europe, as does IBM worldwide.

At present, such flexibility is very much at the margin; with the exception of some of the Japanese consumer electronics makers, few multinationals of anything other than commodities can shift much of their internal sourcing around in much under two years (hence, in part, the fashionable shift towards out-sourcing). But several western giants are now building overcapacity into their factories in order to accommodate short-term currency swings.

If the motor industry majors can make this practice work, it will become a potential competitive disadvantage to Jaguar and other medium-sized specialists, especially as the Japanese move up into their heartland. It will add to existing pressure on the specialists to accept the embrace of the giants, and become part of their component and logistics networks, at the very least.

Christopher Lorenz

INTERVIEW

Spending money for the longer term

Peter Marsh meets Sir Paul Girolami, the chairman of Glaxo

"There is no short term without the long term. If we had not taken a long-term view 10 years ago, we would not be where we are now."

There is a certain incontestable logic about the way Sir Paul Girolami conveys his views about running a business. Sir Paul is chairman of Glaxo, which has leapt from being an industrial also-ran in the 1970s to become the world's *fourth biggest pharmaceutical* concern.

The 62-year-old Sir Paul, the son of an Italian mosaics craftsman, is widely credited with masterminding Glaxo's climb. He is generally respected in the pharmaceutical industry and was knighted in the last New Year's honours list.

Amongst the financial community, however, he has his detractors. Some accuse Sir Paul, who came to Britain when he was two and joined Glaxo in 1965 after a background in accountancy, of arrogance and of neglecting short-term profitability at the expense of planning for the next decade.

One well-placed City observer says: "He is an excellent strategic thinker and an excellent manager. But he would rather run his business without the shareholders." Another says: "I admire him. In the way he thinks ahead he does not really represent the British approach to industry. He reminds me of a Venetian *prince planning a long campaign*."

The company's £1.7bn pharmaceutical sales last year were a little more than half those of Merck of the US, the world's biggest drug company, and slightly behind those of the *US's American Home and Switzerland's* Ciba-Geigy, the next two companies in the league table. While these two concerns are conglomerates whose prescription drugs sales are a relatively small part of their turnover, Merck and Glaxo are *regarded as* pharmaceutical thoroughbreds.

It is clear that Sir Paul sees things this way too. "We're aiming at Merck," he says. "We are number two to them in quality."

This is where the City criticism comes in, from those who see Glaxo as having done a great job in the past decade but now being carried away with its own success. These commentators *believe the company* is obsessed with becoming the world's number one pharmaceutical company and has little regard for such niceties as earnings-per-share growth.

The rebukes piled up in April, when Sir Paul coolly *announced that Glaxo* planned to splash out, by the early 1990s, £1bn on new research and development (R&D) facilities, with half this going on a single laboratory site at Stevenage, north of London. At the root of the peevishness was the complaint – a sign, some would say, of the short-termism often associated with Britain's *financial* institutions – that instead of spending all this cash on research Glaxo should be thinking about increased dividend payments.

Sir Paul rejects the criticism. "A billion pounds may sound a lot of money, but for us it's not much more than a year's profit. It would be a poor show if we didn't invest. We wouldn't have anything to do with the idea of bolstering short-term profits at the expense of the company's future."

The Glaxo chairman goes on to say that "most sensible people" in the City support his view. A hint of the condescending attitude – which, his detractors claim, colours his thinking of the investment community – enters his voice when he says: "It's only the vocal minority which takes the short-term approach. After all if you are a dealer (in shares) then the furthest you look ahead is five minutes."

Any suggestion that Glaxo is profligate receives an equally stern reply. "We are work-led, not luxury-led. Every £1 we spend is on ideas that are worth following up."

Drugs development, says Britain's pharmaceutical overlord, is inherently expensive. "If research costs rise it is only because we make them rise. We are working on AIDS, cancer, conditions of the nervous system. We have still got a long way to go in terms of treating disease. If you are frightened by the emotional content of spending 15 per cent of your turnover on research (the norm in the drugs business) then you shouldn't be in the industry."

A discussion about Glaxo's future inevitably touches on *whether it can repeat the stunning* success of Zantac, the company's anti-ulcer product which with annual sales of more than $1bn is the world's biggest selling drug. Sir Paul says Glaxo is unlikely to come up with another similar smash *hit, though he points to* a number of promising formulations passing through the company's R&D pipeline. He is anxious to stop people expecting too much from Glaxo. "It's not possible to think that Glaxo can grow as fast as it did in the past. If we did this over the next 10 years we would not only be the biggest pharmaceutical company; we'd be bigger than the whole of the industry."

Britain has a big and profitable drugs sector. Besides Glaxo, the country has other international-class pharmaceutical concerns in the shape of Imperial Chemical Industries, Wellcome and Beecham. Given that the UK has a generally poor record in other science-based industries such as microchips, computers and materials engineering, what are the factors behind this success?

Sir Paul thinks the intrinsically international competition in medications has forced the UK industry to think globally and focus on marketing excellence. "It is no good discovering a drug without trying to sell it around the world. The industry has been dominated by the Swiss, the Germans and the US. This has forced the (pharmaceutical) companies in Britain to take an international view and make the most of what they discover. The (British) car industry never faced this kind of competition and ended up with a different approach."

Marketing, says Glaxo's chairman, is extremely important. "There was nothing in Zantac's elements that made it a $1bn drug. We made it that product." Much of the success lay in the company's sales campaigns, which it repeated for other drugs, in the US – which now accounts for nearly two-fifths of the company's revenues.

What is Sir Paul's approach to marketing? "I'm afraid I can't answer the question in any detail. To do a marketing job properly you have to be free to use your imagination. You have to use any device open to you that will help. You have to be realistic about your own strengths and about those of the product. And you have to work your brain hard."

The worldwide pharmaceutical business, although a successful industry which has had a generally positive effect on people's standards of health, has an image problem. In the public mind it is associated as often with drugs that cause unwanted side effects as with those that save lives. The large cash surpluses of many of the big companies give the industry's critics the chance to accuse it of profiteering from illness.

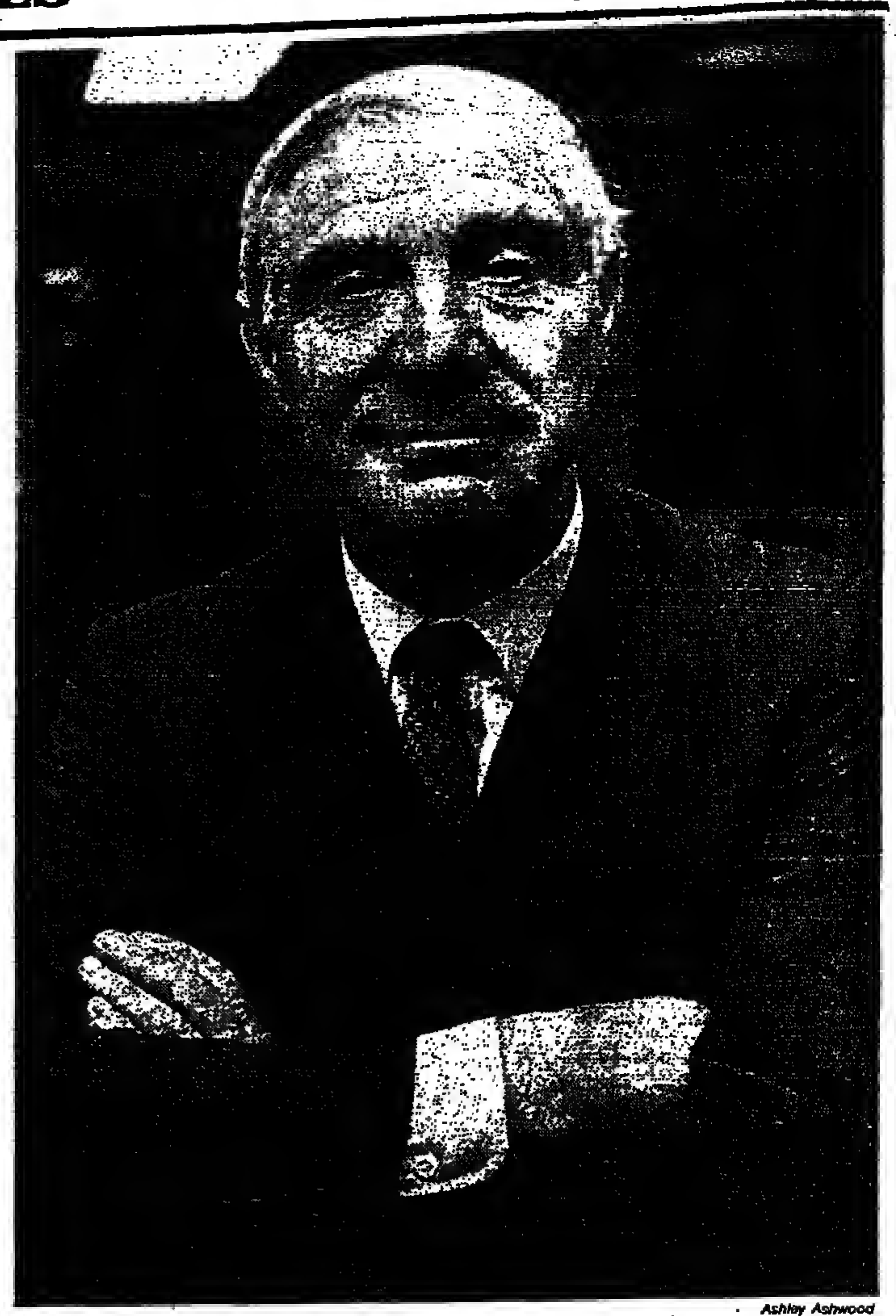
Sir Paul says the image "worries me at times." But he says: "We *are in a society* with all its faults. We can't hive ourselves off from it. Healthcare is about politics and ideology and the issues can get emotional. And in the past medications have been associated with charlatans, aphrodisiacs, tonics – *that kind of thing. Some* of the attitudes seem unfair but I don't know what we can do about it."

How does Sir Paul, with his finance background, cope with the proliferation of medical and scientific advances on which his industry depends? He says he does not bother even to try to understand the *latest thinking in these fields.* "It's important for some of the directors (of a company like Glaxo) to remain ignoramuses in such matters. Of course, I ask the scientists questions. They probably think 'Silly sod, what does he know about that' but the questions do seem to stimulate them and set the environment."

The Glaxo chairman does admit, however, to getting excited about the broader aspects of drug discovery. He is especially bullish when it comes to discussion about a new anti-migraine product which the company hopes to be selling in the 1990s. "Look at conditions like senility, cancer, heart disease: sooner or later there will be breakthroughs in all these areas and we hope to play a part in them."

PERSONAL FILE

1926 Born in Fanna, Italy
1950 Graduated with economics degree from London School of Economics. *Joined* Chantrey and Button, accountants.
1954 Worked as accountant at Coopers and Lybrand
1965 Joined Glaxo as financial controller
1968 Glaxo finance director
1980 Glaxo chief executive
1985 Became Glaxo chairman



Ashley Ashwood

'If research costs rise it is only because we make them rise'

The hidden iceberg of complaints

JUSTINIAN

The complaints industry grows apace. Almost every day another consumer service acquires an ombudsman (or should it now be an ombudsperson?) Additionally, former or current ombudsmen are being given new powers of procedure for the handling of complaints received from the public. The latest to undergo refurbishing since its beginnings in 1974 is the Commission for Local Administration in England.

The stimulus for change has come from two sources – a research study from three academics at Sheffield University and a segment of the Widdicombe Report, The Conduct of Local Authority Business, to which the government responded last month in a detailed White Paper.

The Sheffield study was forthright in its survey of the current scene. It said that severe deficiencies in local government administration still exist, although *local* authorities had been advised to adopt clearly established and well-publicised machinery for handling complaints from members of the public.

The study is critical of local authorities for not having *heeded the advice*, but in characteristic English fashion the complaining public had been sympathetically treated mainly as a "result of a benign culture and a web of informal grievance handling." The study went on to identify a "*disturbing residue of dissatisfaction* from those with experience of complaining."

There are appears to be a submerged body of complaints "which administrative cultures helped to suppress." Only by well publicised and accessible complaints procedures will complete public satisfaction be achieved. To such matters the three Local Ombudsman in England have addressed themselves in their recent annual report for 1987-88. And the Local Government Act 1988 has partially responded to the promptings from the Local Ombudsmen for change.

Until the new act came into force in May of this year complainants to the Local Ombudsmen had to be referred through a member of the local authority complained against, unless there was evidence that a Councillor had been asked to refer the complaint but had not done so.

Now members of the public can have direct access to the Local Ombudsmen. Recently suggestions have been made that child abuse cases should be conducted by Local Ombudsmen. Such investigations are already carried out by *Local* Ombudsmen but only in response to a formal complaint. An amendment to the law would be necessary to provide that, in the absence of a formal complaint, the Local Ombudsmen should be empowered to initiate investigation.

Without amending legislation it might be possible to invite a body like the National Children's Bureau to lodge a formal complaint of maladministration against the local authority.

The Widdicombe Report *recommended ad hoc investigations* at the instigation of Local Ombudsmen. It argued that this would shine the Ombudsman's torch into the dark recesses of local government and would offset disinclination of certain groups to initiate complaints. The government has rejected this recommendation on the ground that it would violate the principle of ombudsmanry that its purpose is not to act as a bloodhound or watchdog but as a receptacle for remedying personal injustices on the complaint of aggrieved persons.

If the Local Ombudsmen are not to have a wider role of investigation of maladministration by local authorities, neither are they to have enforcement powers for their findings. Since the Local Ombudsmen came into existence in 1974 there have been 150 cases where a local authority has failed to provide a satisfactory remedy following an adverse finding of injustice to the complainant caused by maladministration.

This represents a rate of non-compliance of 5 per cent. Although this is a small failure rate for a voluntary system it *represents a source of particular* grievance by complainants that a local authority, having in effect been found guilty, pays no penalty and provides no remedy.

The Widdicombe Report recommended that Local Ombuds*men should be able to enforce* their findings of injustice caused by maladministration through action in the courts. Judicial enforcement of remedies seems the logical step to take whenever a local authority refuses to comply with findings that call for a remedy. But this too would alter the fundamental nature of the ombudsman system, which is to operate an informal, simple investigatory process. That breach in the essentially informal procedure would be less objectionable in principle than it would be in practice.

Once the legal system is in play to provide a back-up to the investigatory process, that process necessarily ceases to be wholly informal. Faced with the element of judicial sanction when deciding the fate of a successful complainant, local authorities would be likely to demand more formal procedures.

At present investigators on the commission staff interview the complainant and relevant local authority officials in private. No official is ever named in a report and the responsibility for any act of maladministration is exclusively a collective one on the corporate personality of the local authority. If the whole investigation exercise were to be injected with a dose of legalism, that in turn would make the process lengthier, costlier and cumbersome. The essential simplicity and flexibility of ombudsmanry would be lost.